

eastern ECONOMIST

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THE LAST LAUGH



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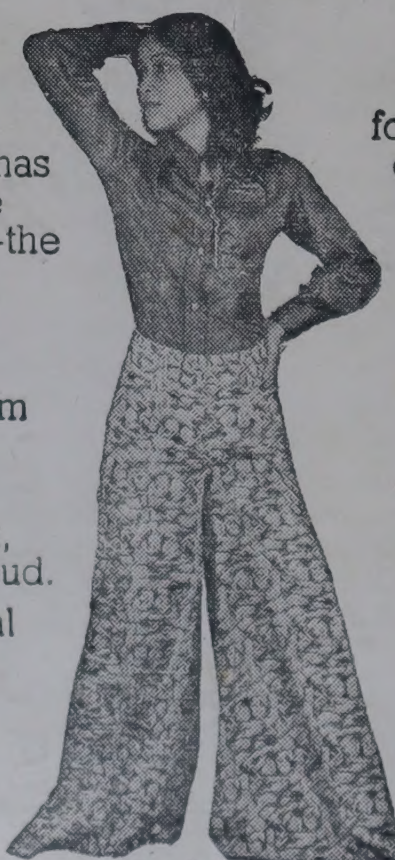
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THE RECENT events leading up to the resignations of the Home minister, Mr Charan Singh, and the Health and Family Welfare minister, Mr Raj Narain, along with four ministers of state from the central government point to the inherent difficulty involved in amalgamating five different political parties having not only varying but incompatible ideologies. When the Janata party was formed just before the parliamentary elections last year, Mrs Indira Gandhi had described it as a *khichri* (hotchpotch) which in her opinion would not last for more than a year or a year and a half. Her prophecy seems to be coming true because the exit of the Bhartiya Lok Dal (BLD) constituent from the Janata party is now only a question of time. Mr Charan Singh's decision to continue the fight from within the party is bound to raise the same question which has been responsible for forcing him to resign from the cabinet, namely, maintenance of discipline in the party. The cracks which have appeared in the Janata party are irreparable. This party will never be the same again.

The prime minister, Mr Morarji Desai, has been complimented by the Janata party (minus the BLD group) and the people in general for taking appropriate disciplinary action against the former Home minister, Mr Charan Singh, and his lieutenant, Mr Raj Narain. Continued and open defiance of the party leadership by the BLD leaders had made a mockery of the party discipline and some action against Mr Raj Narain in particular was anticipated even before the matters came to a head last week. The clownish manner in which Mr Raj Narain had acted right from the day he was sworn in as a minister, had shown that he would find it hard to give up the antics he had acquired as an opposition leader for many long years. No tears would be shed for his departure from the cabinet but the emergence of the BLD constituent of the Janata party as a big dissident group would certainly be a cause for concern. The arithmetical exercise may be in favour of the prime minister for the time being but the realignment of political parties both within the Janata party and without is expected to unleash forces which might rock his *gaddi* as well.

What prompted Mr Charan Singh to issue the statement on June 28, 1978, from Suraj Kund (in Haryana) where he was convalescing after a massive heart attack a couple of months earlier? This statement had alleged that the former Home minister had wanted to take strong and swift legal action against the former prime minister, Mrs Indira Gandhi, but he was not allowed to operate in the manner he wanted to. Presumably, he had wanted to set up a special court to try Mrs Indira Gandhi so as to cut out delay in her ultimate conviction by the Supreme Court but the prime minister had wanted her to be tried "by ordinary law" as a common citizen of the country. Mr Charan Singh was understandably agitated over this issue because in the normal process the case against Mrs Indira Gandhi could be made to drag on by her lawyers till the time came for the next general election. With what face could he approach the electorate, especially those who had pleaded that Mrs Indira Gandhi should be arrested and imprisoned "in the Tihar Jail in the same circumstances in which Maharani Gayatri Devi and Maharani Vijaya Raje Scindia were confined"? Thus, it was clear to Mr Charan Singh that the prime minister and his cabinet colleagues were foisting a difficult decision on him with which he was not in agreement, and which in the long run would cast an unfavourable shadow on his political career. Prompted by this consideration, he issued the above-mentioned statement knowing fully well that the prime minister would make proper use of it to ask him to leave the cabinet.

After resigning from the Janata cabinet, Mr Charan Singh has been talking freely with the press as well as his BLD supporters, though he has promised to present his version of the case to the public only after he has addressed the party as well as parliament. An element of pride and prejudice did work in wrecking the personal relations of the top leaders. From the very beginning, Mr Charan Singh was

jockeying for the position of the prime minister but according to him, a conspiracy had been hatched to keep him away from the top post. Then, he lined up behind Mr Morarji Desai and it was his this decision communicated from the All India Institute of Medical Sciences (where he was lying sick) which had confirmed the installation of Mr Desai as the prime minister. Since the prime minister did not support or encourage him in crucial matters and even withheld the crown of deputy prime ministership from him, he has been rueing the day he aligned his forces with that of Mr Desai. Whatever the ideological differences between Mr Charan Singh and Mr Morarji Desai, the game of personal likes and dislikes carried on between the two during the past 15 months was also responsible in creating a big gulf between them.

good example

Surely, indiscipline can be the death-knell of any political party. Mr Desai and his team of ministers have presented a good example by unanimously deciding to force the resignations of Mr Charan Singh and Mr Raj Narain. They have acted as a disciplined group which has full faith in its leader. While indiscipline at the centre has been nipped in the bud, why was the same disciplinary rod not shown to the dissidents in the states of Haryana and Uttar Pradesh? Mr Chandashekhar, President of the Janata party, had better search his heart as to how far his incompetence and lack of experience had been responsible for precipitating the present crisis. Rightly or wrongly, the BLD leaders nursed the grudge against the Janata party president for not having taken the necessary disciplinary action against the dissidents in Haryana and UP. Instead of that, the chief ministers in these states were asked to seek votes of confidence in their respective legislative parties. After making some promises to unscrupulous members of the legislatures and also by striking certain deals with the Jana Sangh constituent of the party, both the chief ministers came off with flying colours. But the BLD leaders became suspicious of the Janata party chairman who, it was felt, was forging

the former Congressmen together so as to be rid of the BLD and the Jana Sangh. His attending of the Narora camp where discussions were held for the evolution of a Third Force (besides the Janata party and the Congress party led by Mrs Indira Gandhi) further antagonised the members of the former BLD who suspected that Mr Chandrashekar was not sincere to the Janata cause.

disciplinary action

It was in this context that Mr Raj Narain had sought to raise the question of electing a new president of the Janata party. Ostensibly, he had the support of Mr Charan Singh in trying to pull down Mr Chandrashekhar. The letter issued to Mr Raj Narain, who was till then a member of the cabinet, asking him to explain why disciplinary action should not be taken against him for denigrating the party president remained unanswered for two reasons. First, he asked for time (extension of the time limit by 15 days) which request was turned down. Second, he addressed a political meeting at the Ridge in Simla defying the restrictions imposed by the state government on all meetings at that place. And then came Mr Charan Singh's above-mentioned statement which made the prime minister summon an emergency meeting of the cabinet to decide about the action to be taken against Mr Charan Singh and Mr Raj Narain.

What transpired after that is now a part of history. However, the statement issued by the party president after both the ministers had resigned and their resignations had been accepted, showed his naive approach to the deep division that has been caused in the party by the recent developments. His hope that the Janata party would emerge stronger and more united was nothing more than wishful thinking.

The Jana Sangh constituent of the Janata party which is reported to be the biggest and the most cohesive group, seems to have played a crucial role in the recent convulsions of the party. When the chief ministers of Haryana and Uttar Pradesh were under attack sometime ago, and were asked to seek votes of confidence

from the legislative parties, the Jana Sangh members extended full support to them as the Jana Sangh was not keen to destabilise these governments. At the centre, the Jana Sangh has sided against the BLD group ostensibly for the stability of the central government. These two contradictory moves have caused some confusion among the Jana Sangh members in the states of Haryana and Uttar Pradesh. If Mr Charan Singh could be thrown out of the central cabinet with the active support of Mr Atal Behari Vajpayee and Mr Lal Krishan Advani—both Jana Sangh cabinet ministers—why could the BLD chief ministers in Haryana and Uttar Pradesh not be voted out of power?

At the time of writing, the Jana Sangh has not been able to resolve this dilemma. Some Jana Sangh members in Haryana and Uttar Pradesh who hope to make certain personal gains after toppling the BLD governments there, are pressing the central leadership to permit them to align themselves with groups opposed to the BLD chief ministers. Much depends upon the course of action adopted by the Jana Sangh constituent of the Janata party. Mr Atal Behari Vajpayee's recent letter to the prime minister offering to resign from the cabinet so as to take up party work is indicative of the unhappiness of the Jana Sangh leader with the trend of events in the past week.

BLD exit on the cards

But much depends also on Mr Charan Singh and the irrepressible Mr Raj Narain. The latter continued the attack on the prime minister and the party president even while he was a member of the cabinet. Now that he is a mere member of parliament in the Janata party, will he stop issuing the type of statements he has got used to? Even when Mr Charan Singh makes his statements before the party and parliament during the next two weeks, he is likely to intensify the current struggle. Because he is likely to give vent to his views on political and economic problems where he is in complete disagreement with Mr Desai and his team, the situation would arise wherein either the BLD group quits on its own or is thrown out.

Price controls and their impact

EARLY THIS year the government of India set up a committee which was asked to examine the system of controls on prices, production, distribution, licences and imports in this country. While this committee is still deliberating upon the tasks assigned to it and is moving from state to state for gathering information, the National Council of Applied Economic Research (NCAER) has released a study which is relevant to the labours of the committee. This study* of the NCAER, besides discussing the philosophy and practice of price controls in our country, has brought out their impact on certain sections of our economy in general and selected industries such as cement, vanaspati, controlled cloth, nitrogenous fertilisers, tyre and paper in particular.

It is presumed that price controls are imposed for such reasons as (a) control on inflation; (b) protecting the vulnerable sections of the community; (c) assuring fair prices for the priority sectors and (d) preventing profiteering by industry. Whatever the objective for imposing price controls, the study has come to the conclusion that in general the success achieved in a majority of the cases is of doubtful dimensions. Strangely, throughout the last three decades the various agencies fixing the prices of controlled commodities have failed to evolve a uniform formula in regard to the vital questions relating to the growth of industry such as the rate of return on capital employed. Similarly, no uniformity has prevailed in the computation of working capital requirements of units in the same industry or in different industries. All decisions in this regard have been ad hoc depending on the caprice of the body recommending the fixation of prices.

What is interesting is that very often the recommendations of the expert bodies are rejected by the government for one reason or the other.

Do price controls affect the growth of

*A Study of Price Control and Impact of Excise Duty on Selected Industries. The second part of the study relating to the impact of excise duty on selected industries is not discussed in this article.

an industry? The study has not been able to come to any conclusion on this question. There are industries which prosper even under controls though there were others which suffered because of controls. In 1975-76, industrial production in the country had risen by 39 per cent in relation to the year 1965-66. However, during the period under reference cement (+59.4 per cent), nitrogenous fertilisers (+589.1 per cent), paper (+55.1 per cent) and tyres (98.9 per cent) had fared much better than the general rate of growth in industry. On the other hand, steel (+26.5 per cent) and vanaspati (+22.2 per cent) had remained sluggish and expanded at rates lower than the general growth of industry in the country. There are a number of cases of industries registering a spurt in production when the price controls are withdrawn. The NCAER has made an analytical study industry by industry and in some cases unit by unit which has led it to the conclusion that "price control has fostered attitudes of comparative neglect of the consumer who has had to do with a poorer quality of products. Similarly it has also induced a greater pre-occupation with the present at the cost of long-term technological advancement and managerial efficiency".

Discussing the impact of price controls on different sections of the economy, the study has been candid about the role of administrators who are described as both conceivers and implementors of price controls. In fact, controls have an ideological appeal to those in administration who feel that the market is too impersonal and profit-oriented to be socially just and an adoption of price control is to them a philosophical and social commitment, adds the report. It is this outlook of the administrator—whether a bureaucratic or a political leader—which has proved ruinous to some industries in this country. In their fervour to make available cheap goods to the consumers, the administrators adopt procedures for the fixing of prices of industrial products under control which do not take into account the actual needs of the industries

"for rehabilitation and expansion". Every time the industry has demanded either an adequate price for the controlled commodities or sufficient provision for rehabilitation, the demand has been turned down because the administrators have a prejudiced view of the working of the industry. The direct result of such a policy is that the industry tends to neglect its long-term interests.

Very often price controls help the unscrupulous elements in society in their unlawful activities. Under conditions of excess demand, it is the traders who are able to increase the trade margins and the beneficiary of the price control is the trader instead of the consumer because products are not available at controlled prices in the open market and a black market emerges which results in increasing the size of the parallel market. Reviewing experience in this country, the NCAER has concluded that "in practically all price-controlled industries black markets develop, their extent depending on the severity of control, the social sanctions against black market and the effectiveness of administration".

black money

The NCAER has attempted to guess the likely size of black money generated during the decade ending in 1974-75 in the seven industries it had studied. At the top of the list is steel with probable black money generation at Rs 500 crores followed by vanaspati at Rs 125 crores, automobile tyres at Rs 100 crores, cement at Rs 70 crores, urea at Rs 35 crores and paper at Rs 10 crores. The total adds up to as much as Rs 840 crores despite the fact that the assumptions on which the estimate is worked out, are modest ones.

The study is thus a useful addition to the literature on price controls available in this country and is a good attempt at highlighting the limitations imposed by price controls on the growth of many industries. In the case of steel, for instance, the study has quoted Mr J. R. D. Tata who has deplored the losses which the Tata Iron and Steel Company had to bear because of the below-cost prices of steel fixed by the government which helped black market in steel.

The data regarding the return on capital

...spect of a vanaspati employed in the NCAER painted a unit cited by. From 1966 to 1975, only gloomy picture the return was positive—1.2 in one year before tax—while it incurred per cent in each one of the other years. A loss

better example of the crippling effect of price controls could not be cited. The traders in vanaspati might have made fabulous profits but the manufacturers were put under unbearable constraints by price controls.

Computers for efficiency

THE SUCCESS attained by Operations Research Group (ORG), Baroda, in making a general purpose computer through its own research and development efforts is indeed creditable. The new computer uses floppy discs instead of cards. Each disc can store 600,000 digits of information. The computer transmits data at the rate of 350 words a minute. For purposes of marketing, it has been christened as ORG 2001. According to Mr D.V.N. Sharma, director at ORG, this computer is "ahead of the comparable systems in the world."

With the exit of International Business Machines (IBM) from the Indian market (IBM refused to comply with FERA regulations), there was a lurking fear that the progress of computerisation in this country would slow down though certain other companies both in the public and private sectors had given a good account of themselves in this field. The addition of ORG to this group of companies will go a long way in reassuring the computer users that the bulk of their needs would be easily met by indigenous manufacturers. ORG is confident that soon this computer would be exported to other countries, especially the west Asian countries.

The credit for breaking up the monopoly of IBM in computers in this country belongs to the Electronics Corporation of India (ECIL), Hyderabad, which under the able leadership of Dr A.S. Rao took up the challenge of manufacturing computers in this country about six years ago. Dr Rao retired from the ECIL last month but the unit that he has set up in Hyderabad has acquired immense capabilities. So far the ECIL has marketed no less than 100 computers in this country. Surely, the current demand for computers in our country is far in excess of the total capacity of the indigenous suppliers. A market survey conducted by ORG has indicated that this country needs at present 1500

computers of the size currently being made at Baroda.

It may be stated here that the use of computers is encouraged by the department of electronics only in areas where it is absolutely essential and does not displace workers. It implies that if in an institution, the various operations can be completed efficiently without the use of computers, their use is banned. However, in any large-sized company where multiplicity of data needs to be stored and also retrieved at short notice, the use of a computer is unavoidable. For instance, the Unit Trust of India (UTI) whose scale of operations expanded sizeably in the year ended June 30, 1978, the use of a high-powered fourth generation computer is indispensable. In a sprawling advertisement in the newspapers, the management of the UTI has proudly claimed the utility of the brain-box. States the UTI: "The trust now has access to a highly sophisticated fourth generation computer, replacing the existing computer system. This will facilitate better coordination of activities and smoother functioning of internal organisation." The truth is that many of our research institutions, banks, hospitals, electricity companies etc need computers very badly for efficient operations but so far the obstinacy of the workers in a majority of the cases has stood in the way.

Electronics in general and computers in particular have a high rate of obsolescence. The USA and Japan have both made very rapid progress in this field and some of the industrially advanced countries are finding it difficult to keep pace with them. The Japanese have made it their national goal to leapfrog the United States in semiconductor technology. They are aiming at gaining dominance of the world's computer markets. *Fortune* dated February 27, 1978, has an article by an expert named Gene Bylinsky which states that "to attain their objective, the Japanese

will not stop to stoop; they will do anything; they will lie, steal and cheat." A Japanese company has already promised to be first with a "production quality of 64 K memory chip." One chip can store 64,000 bytes. When technology in the USA and Japan marches ahead at break-neck speed, it will be suicidal for our technologists to be complacent about it.

The relevant question in this regard is if this country should put a ban on imports so as to be self-reliant or it should buy or import the latest technology and then improve upon it. Since we do not have enough resources for ploughing into research and development, an attempt should be made to profit by the latest technical know-how available abroad.

The Department of Electronics (DOE) has set down an elaborate procedure for the import of computer system so as to avoid unnecessary imports. In 1976-77 only 24 cases were cleared; this number went up to 32 in 1977-78. All these cases were processed by the approvals committee.

Because our country has a large stock of talent in computer software, the DOE has set the target of exporting software valued at Rs 25 crores a year. It has permitted a number of entrepreneurs to import suitable computer systems for building up software export programmes. In November 1977, experts from our country met their counterparts from European Economic Community (EEC) countries at Brussels. Since this meeting evoked considerable interest for software experts in the EEC region, another meeting was held in India where the EEC region experts had further consultations. It is understood that computer software export from this country will expand sizeably in the next two to three years.

A couple of years ago, the government of India set up the Computer Maintenance Corporation (CMC), an undertaking of the DOE, for servicing computers. Now the CMC has taken upon itself the task of maintaining all the IBM computers. The latest import policy for the year 1978-79 has designated the CMC as the agency for the import of spares, tools and test equipment in respect of all computer systems maintained by them. It remains to be seen how efficiently the CMC is able to handle the tasks assigned to it.

CAPITAL'S CORRIDORS

R. C. Ummat

Trade with China • Steel prices and supply • Coal troubles • IIFCO's performance

THE TRADE mission sponsored by the Association of Indian Engineering Industry (AIEI) under the leadership of Mr T.D. Sinha, chairman, AIEI (ER) and managing director of Indian Aluminium Company, which visited in May the spring fair of Chinese export commodities, popularly known as the Spring Canton Fair, has returned with the impression that China is keen to expand its trade relations with us, which got disrupted in 1962-63 following the Chinese aggression across our northern borders and were resumed on a modest scale last year. In view of the large developmental programmes in progress in China as well as the high priority being accorded there to construction activity and modernisation of industry, the mission feels that there are good prospects of exporting engineering products from here. China is said to be out shopping this year for goods and know-how valued at US \$ 2,500 million.

The prospects of exporting steel pipes and tubes, wire ropes and pre-stressed concrete wires are stated to be exceptionally promising at present. Soon after the fair, two contracts—one for exporting steel pipes and tubes valued at US \$142,353 and the other for supplying 75 tonnes of wire ropes of complicated construction in various sizes valued at US \$ 62,000—are reported to have already been secured. Enquiries are said to have been made by the Chinese authorities for the purchase of 6,000 tonnes of pre-stressed concrete wires.

Significantly enough, the Chinese are now reported to be looking at India as one of the principal and direct sources of supply of steel tubes and pipes, wire ropes and pre-stressed concrete wires.

They had recently contracted to purchase steel pipes and tubes from a West German concern. These supplies were effected by an Indian firm in the first quarter of the current year.

The Chinese, the mission says, have also shown interest in importing from here oilfield and exploration drilling machinery, and mining, packaging, transport and material handling equipment. Some interest, it is recalled, had been shown by the Chinese earlier during the year when a delegation of theirs visited the second Indian engineering fair here, in our earth-moving and construction equipment, hydraulics and structurals and cranes. The Sinha mission has supplied the literature on these engineering items to the Chinese authorities. The outcome on this score, of course, is yet awaited.

China is also said to be interested in importing from here several categories of steel as well as pig iron. But it seems to be reluctant to accept the recent rise in world prices. As a result, the sales of steel, the mission feels, can only progress slowly. The particular steel items in which China appears to be interested include HR and CR coils and iron rods.

According to the indications available, India, the mission says, can look to China for the supply of zinc, mercury and antimony. The major items of export by China currently include foodstuffs, crude materials, fuel, edible oils and textiles. The imports into China comprise mainly food materials, edible oils, chemicals, fuels, machinery and transport equipment and iron and steel items. The mission is of the view that besides engineering products, we can sell to China mica, sugar, shellac, jute goods and

chemicals. China being a big exporter of crude oil, we should be able to tap this source for this items as well. Much however, should depend on the political relations between the two countries. They, indeed, have tended to return to normalcy to some extent.

The AIEI mission has stressed the need for continuing trade contacts with China through Indian representation in the future Canton fairs and the Chinese participation in the Indian trade and industry exhibitions. The AIEI, therefore, may sponsor missions to the Canton fairs on a continuing basis. It will be again inviting the Chinese trading organisations to the third Indian Engineering Exhibition to be held in February next.

The mission has particularly noted that although the Canton Fair still continues to be the most important forum for contracting business with China, yet new other avenues have opened up, e.g., direct contacts with the different import and export undertakings or with the local branches of these corporations in different parts of China.

important factors

It has been stressed by the mission that in both import and export deals with China, competitive prices, quality, delivery schedules, shipping facilities, etc., play a very important role. The Chinese expect strict adherence to the terms and conditions of the contracts entered into and delays in delivery on account of non-availability of raw materials, strikes, etc., are not considered a force majeure. The financial arrangements covering the contracts are on the basis of 100 per cent confirmed, irrevocable, transferable, divisible and without recourse letters of credit to be available by sight draft. Arbitration in cases of disputes is considered only according to the Chinese regulations.

The AIEI mission to the Canton Fair was the third one since April, 1977, although the first of an individual industry. The representatives of the State Trading Corporation (STC), the AIEI and the basic chemicals, pharmaceuticals and cosmetics export promotion council, who visited the Canton Fair in April and May last year, had negotiated

exports from here of 600 tonnes of shellac valued at Rs 69.3 lakhs and imports from China of 40 tonnes of antimony, 100 tonnes of zinc and 500 flasks of mercury, aggregating to a value of Rs 80 lakhs. The STC, the Minerals and Metals Trading Corporation (MMTC), the SAIL International and Hindustan Machine Tools followed up the first contacts at the autumn Canton Fair held in October-November, 1977. At this fair were finalised contracts for export of 20,000 tonnes of pig iron (Rs 1.6 crores) and steel pipes (Rs 5 crores) from here and export of 50 tonnes of antimony metal (Rs 10 lakhs) by China to us. During these confabulations, the Chinese also agreed to make a trial shipment of newsprint to us. The MMTC has since been able to finalise contracts for import from China of 300 flasks of mercury, 200 tonnes of zinc and 130 tonnes of antimony, aggregating to a value of Rs 84.68 lakhs. The two contracts for the export of wire ropes and steel pipes and tubes from here, which have been secured recently, have been mentioned above.

We used to have a significant trade with China prior to the 1962 conflict. Our main exports then comprised sugar, sandalwood oil, chrome ore, etc. The imports consisted mainly of newsprint, rice, spices, rolled steel products, raw silk and sodium hydroxide. The total trade turnover in 1957 was around Rs 8 crores. The trade got disrupted in 1962 and the turnover declined to just Rs 99 lakhs in that year and Rs 14 lakhs in 1963.

The Steel Authority of India (SAIL) claims that the revision effected by it in early June in the prices of various categories of steel has affected primarily the JPC prices, which have been stepped up from five per cent to 42 per cent for various categories of steel. The stockyard prices, that had been raised in the case of some types of steel a few days earlier, have been raised further only marginally, the maximum increase effected being 14 per cent. The new prices have a built-in advantage for the small and medium-scale sectors as the stockyard prices currently are not more than Rs 35 per tonne compared to the JPC prices. As the stockyard expenses of

the main producers are substantially higher, the main producers, thus, are said to be subsidising to some extent the supplies from the stockyards to the small and medium industrial units.

benefit to small industry

The state-owned small-scale industries corporations, it is further explained, have been allowed under government direction to draw their requirements from the nearest stockyard at a concessional price of Rs 150 per tonne. This should also benefit the small-scale industries. Earlier, these corporations were not able to procure directly from the steel plants all the raw materials required by them for supplying to the small-scale industrial sector owing to the movement problems. The allowing of these corporations under the new pricing and distribution policy the facility to draw their requirements from the stockyards should enable them to buy a better mix. It should also reduce their dependence on the vagaries of the railway movement, with the result that the incidence of shortages, demurrage/wharfage and uncertain availability will be mitigated. The producers have been instructed by the government to sell to small-scale industries corporations various categories of steel at a discount of Rs 150 per tonne over the stockyard prices notwithstanding the fact that they have to bear an expenditure of about Rs 6 crores.

The new pricing and distribution policy for steel, it is pointed out, does not affect the sale of pig iron to foundries, which is to be continued as in the past. The increase of Rs 30 per tonne in the price of pig iron has been effected only on account of the equalised freight element. No advantage accrues to producers on this account.

The government is expected to announce a scheme shortly in respect of supplies of steel to export-oriented engineering units. These units have contended that the recent increase in the price of steel have affected their economic viability of executing orders already committed by them.

The production of steel, which was affected in April and May due to capital repairs at Bhilai and Rourkela and owing to such other factors as deterioration

in industrial relations and shortages of power, it is pointed out, is gradually picking up and should improve materially in the coming months. Based on the estimated demand and availability, the SAIL is stated to have already drawn up plans for importing a little over half a million tonnes of steel. It has had a series of discussions with various fabricators, consumers, power projects and electricity departments, advising them the availability of indigenous steel and also indicating the sections and sizes which are to be imported. This is being followed up. The policy of pooling the prices of imported and domestically produced steel is likely to be finalised soon.

Shortages of coal have been experienced in the recent weeks in various parts of the country. Even though production till lately during the current financial year has left much to be desired owing to several factors, the shortages have got accentuated by the difficulties of movement by rail. This has prompted high level discussions in the official circles.

Compared to the production in April and May last year, the output of coal in these two months this year, barring that from the captive mines of the steel industry, is officially claimed to have been marginally higher. But if note is taken of the fact that according to demand projections, an additional nearly 10 million tonnes of coal would be required this year, the rate of growth in production during the above two months significantly fell short of the target.

Apart from the tight supply of explosives owing to go-slow tractivities culminating in strike at the major explosives manufacturing unit in the country, the output of the coal was affected due to two other reasons: deterioration in industrial relations and shortage of power. The production at the Singareni coalfields declined sharply as a sequel to partial labour strike with effect from April 14 and then came to complete standstill owing to total strike between May 2 and 8. The output in the Singareni area could be normalised only after May 20. In the east India coal belt, production was affected by labour unrest as well as restricted supplies of power from the DVC system. The usual impact

of absenteeism due to the rabi harvesting season was another factor.

The supplies of coal to almost all parts of the country suffered a setback owing to the difficulties in railway movement, resulting partly from the railways being called upon to cater for more-than-normal movement of foodgrains following a bumper rabi crop and to move massive quantities of cement and fertilisers and partly from the rescheduling of the coal movement to meet the situation created by the serious fall in production in the Singareni area. Coal had to be supplied to south India from the eastern coal belt to keep alive at least the basic services. This vitiated the movement of coal to the north Indian centres as well. The disruption in railway movement was also caused to no small extent by the staff trouble at Dhanbad, Patratu and Asansol.

The transport difficulties are reflected in the accumulation of stocks at the pitheads. Although the production during April and May was only marginally higher than in the corresponding period last year, as mentioned above, the pithead stocks steadily improved to over 11.2 million tonnes on June 1.

production picks up

The production of coal during June is claimed to have picked up as a result of the rate of absenteeism going down and substantial improvement in the supply of power, though the explosives problem still continues despite imports being effected. To improve the situation on this account, the supplies of explosives for the unauthorised mining of coal in some areas of Bihar and West Bengal have been stopped after the recent judgement of the Supreme Court. But it will obviously take some more time for this bottleneck to be completely obviated. The power supply position is stated to have been normalised during the past few days. Incidentally, with a view to ensuring safety in mines, the power supplies to collieries are proposed to be ensured at least to the basic minimum even in times of acute shortages.

It, however, remains to be seen whether the supplies of coal this year will remain comfortable as in the past two years. Concerted efforts are envisaged to be made to increase production soon after

the lean season of the monsoon months. Production at some outlying coalfields is to be stepped up so that the overall output can be raised to the targetted level of 113 million tonnes.

The major problem to be encountered, however, is the movement of coal. According to demand projections, at least 6/7 million tonnes of additional coal will have to be moved this year. This will need augmenting of wagon supplies by about 1,000 numbers on an average per day. It, indeed, is not going to be an easy proposition unless a good deal of rationalisation of railway movement is effected and the envisaged package of incentives for raising the output of the wagon industry is expeditiously decided upon and implemented. It is interesting to note that during April and May, the supply of wagons for coal movement instead of going up was said to be at least 1,000 numbers less compared to that in these two months last year.

* * *

The Indian Farmers' Fertilisers Co-operative Limited (IFFCO), which has emerged as the largest producer and seller of fertilisers in the country after the reorganisation of the Fertiliser Corporation of India recently, has again turned in a highly satisfactory performance during the third full year of its operations that ended on June 30. All-round new records have been set during this year. With sales going up to Rs 132.15 crores from Rs 111.72 crores last year, the profit has increased to around Rs 29 crores from Rs 23 crores.

The society currently accounts for 10 per cent of nitrogenous fertilisers and 23 per cent of phosphatic fertilisers production in the country. Its NPK compounds carry more than 20 per cent of the country's total consumption of potash. During 1977-78, IFFCO produced 265,000 tonnes of ammonia, 310,000 tonnes of urea and 510,000 tonnes of NPK fertilisers by utilising its production facilities to the order of 88 per cent, 78 per cent and 136 per cent, respectively. Last year, the production of ammonia amounted to 248,056 tonnes and that of urea and NPK fertilisers to 312,110 tonnes and 368,400 tonnes, the utilisation of capacity in the three lines being 83 per cent, 79 per cent and 98 per cent, respectively. The undertak-

ing has set before itself the target of raising ammonia production this year to 270,000 tonnes (90 per cent capacity utilisation) and that of urea to 350,000 tonnes (88 per cent capacity utilisation). The output of NPK, fertilisers is envisaged to be kept at its current year's level.

record profit

The record profit in 1977-78 has resulted despite the society unilaterally reducing in September last the prices of its two NPK products by Rs 100 and Rs 130 per tonne with a view to sharing with customers the benefits of fuller utilisation of the installed capacities. The undertaking is striving for encouraging the use of balanced fertilisers by farmers.

The profits are being utilised by the society primarily for enlarging its production capacities. It is currently setting up a new fertiliser project at Phulpur in Uttar Pradesh. Estimated to cost about Rs 175 crores and expected to go into production by this time next year, it will produce annually 500,000 tonnes of urea. The capacity of the Kalol project is being expanded marginally by about 10 per cent through the debottlenecking process.

The undertaking has also approached the government for permission to double the capacity of its Kandla plant to one million tonnes per annum and to set up a 1,350 tonnes ammonia daily capacity project in south Gujarat based on Bombay High gas. The expansion of the Kandla project is expected to cost Rs 23 crores. It is anticipated to be completed and put into operation in late 1981. The south Gujarat plant, which may go on stream in 1982, is likely to cost Rs 265 crores.

The society is also planning to diversify its activities into the field of pesticides manufacture so that farmers can be supplied this vital input along with fertilisers. To start with, it has proposed to set up a small plant for the production of Malathion. For using surplus carbon dioxide available from the Kalol plant, a dry ice plant with a daily capacity of six tonnes has been set up there.

The village adoption scheme of the undertaking now covers 91 villages. All of them have shown increases in agricultural production, fertiliser use and co-operative membership.

Towards self-reliance in Defence—I

R. C. Ummat

We have marched a long way on the road of high technology in Defence establishments. The author, who has recently visited a number of defence units, feels gratified to note that increasing funds are being made available for the research and development effort.

SELF-SUFFICIENCY in defence can only be a distant goal for our country. At the present stage of our economic and technological development, it apparently is not a feasible proposition. What, therefore, is aimed at is self-reliance to as large an extent as possible within the means available.

It, indeed, is a matter of gratification that the latter goal is being pursued by the government steadfastly. A clear evidence of this was available during a visit to Bangalore and Kolar a few days ago, where, as a member of a press party, I had an opportunity to study at first hand the working of as many as six defence establishments—Hindustan Aeronautics Limited (HAL), Aeronautics Development Establishment (ADE), Gas Turbine Research Establishment (GTRE), Bharat Electronics Limited (BEL), Electronics & Radar Development Establishment (LRDE) and Bharat Earthmovers Limited (BEML).

R & D wings

Three of the above—ADE, GTRE and LRDE—are research and development units out of the 31 under the charge of the Defence Research and Development Organisation (DRDO), which was established nearly twenty years ago. The other three are production undertakings. But in these as well, fairly strong research and development wings have been set up. Duplication of work is avoided through effective coordination under the guidance of the DRDO.

Research and development in aeronautics has received a considerable fillip in recent years. As a result, not only a good deal of import substitution has already taken place in the various aircraft produced by HAL under licence from foreign manufacturers but also substantial improvements in designs and capabilities of these aircraft are being attempted. Two aircraft—Kiran, a basic

jet trainer, and Basant, a single seat, low-wing agricultural aircraft for aerial spray of pesticides and fertilisers—have been even designed and developed by HAL.

The aircraft produced under licence include Ajeet (former Gnat), a jet fighter; Marut HF-24, a vehicle for ground attack and ground support roles; MIG-21M, a supersonic jet interceptor; HS-748, a freighter version of twin-engined transport aircraft; Chetak (Alouett), a multi-purpose helicopter; and Cheetah, a light-weight helicopter for AOP roles. Also manufactured at HAL are Orpheus 701 and 703 engines for Ajeet and Marut, engines for MIG-21M, Dart engines for HS-748 and the Artourate—IIIB engines for helicopters. The production of

POINT OF VIEW

HF-24 and Basant has been suspended of late for lack of orders.

The manufacture of all the aircraft is being done from the raw materials stage, the components and parts for some still being imported being just a few. The import content does not exceed 30 per cent. This is accounted for primarily by raw materials. The import content should go down to just about 10 per cent when Mishra Dhatu Nigam Limited (Midhani) goes into production in a couple of years. The imports required then will be of light alloys. This unit, currently being set up in the public sector under the charge of the ministry of Defence Production, will be manufacturing sophisticated and strategic alloys needed for nuclear power generation and aeronautics, space, electronics and chemical industries.

Improved versions of both MIG and

Ajeet aircraft have been developed by HAL recently. The improvements in MIGs relate to the system performance and capability of combat, while those in Ajeet provide it a longer range as well as higher combatibility. The new version of Ajeet has additional provision for fuel and significantly improved electrical and hydraulic systems. Handling flights on this version are said to have been successfully completed recently. It is expected to be inducted into service later this year.

current effort

Besides improving MIG and Ajeet aircraft, HAL is currently working on the development of HPT-32, a piston-engined, low-wing, side-by-side seat, fully acrobatic ab initio trainer; Kiran MK-II, an advanced jet trainer; Ajeet Trainer, a "specific to type" trainer for Ajeet aircraft, HF-24 Variant and an advanced light helicopter.

The HPT-32 Trainer is being developed for a wide range of applications including ab initio training in instrument, navigation, night and formation flying, armed patrol, observation liaison, weapon training, light strike duties, supply dropping, search and rescue operation, reconnaissance and glider/target towing. It is likely to be available for service in 1981.

Kiran MK-II will be armed as MK-I, but it will be having Orpheus engine in place of Viper engine. The original Kiran was an unarmed trainer. The new version will have more underwing load stations and will be capable of stimulating all the characteristics of an advanced jet aircraft. Some of the good characteristics of Kiran MK-I in respect of structure, navigation, communication control, instrumentation, maintenance, servicing etc., of course, are being retained in the new version.

The Ajeet Trainer, which will be having a number of common points with Ajeet aircraft in systems, cockpit layout, performance, armament capability, maintenance and service procedures, will also

meet the requirements of general flying, formation flying, instrument flying, night flying and air-to-ground as well as air-to-air armament training. The first prototype of this aircraft is expected to roll out by 1981. The development is expected to be completed in 1984.

The HF-24 Variant is expected to have greater potentialities in terms of the carriage of higher war-loads over longer distances. It is proposed to be fitted with an engine which will be manufactured under licence by HAL. Advanced avionics systems, navigation and weapon-aiming systems have been planned for this aircraft.

variety of roles

The advanced light helicopter, which is being designed in collaboration with M/s. Aerospatiale, France, to cater for a variety of roles such as armed surveillance, casualty evacuation, close support, armed reconnaissance, survey, etc., will replace in the latter half of the eighties the Cheetah and the Chetak helicopters being manufactured currently. This helicopter, which is of 3,000 to 3,500 kg. class, is to be powered by two engines from survivability considerations. In its utility category, the helicopter will be able to carry six passengers and two crew. The design envisages use of advanced technology concepts such as fibre-reinforced plastic blades, honeycomb floors/cowling and modern electronic fitment. A naval version of this helicopter is also planned.

The remote sensing activity through modifications of HS-748 and Canberras too has been undertaken.

The HAL has further completed successfully the development of some advanced avionics systems such as identification friend or foe equipment, radar altimeter, radio compass, V/UHF communication sets for aircraft and ships and traffic radars. Work on the development of air route surveillance radar and precision approach radar is at an advanced stage. The government has recently sanctioned a major project for the development of an advanced fire control radar at HAL.

The development work at HAL is ably being supplemented by the tasks entrusted by the DRDO to ADE and GTRE.

The main thrust areas of development at ADE currently include: (a) target drones and remotely piloted vehicles, (b) flight simulation and simulation techniques, (c) air armament, and (d) flight research and development, besides some special assignments. Some of the equipments developed by this organisation which are under production are : (a) ground starting aggregate for aircraft, (b) audio control system for aircraft, (c) fire warning system for Vijayanta tanks, (d) aircraft gun actuating power pack, (e) high energy ignition unit for aircraft, (f) gear box controller for Vijayanta tanks, (g) thermocouple tester for aircraft, (h) trolley for jettisonable aircraft fuel tanks, (j) honeycomb panels, (k) disorientation simulator, and (l) high pressure valve for compressed gas cylinders.

Designed and developed by ADE in collaboration with Simco Motors, the ground starting aggregate received the import substitution award (bronze) in 1975. It is a twin source of electrical energy (24 volts 600 A continuous/26 volts 1500 A intermittent) for starting a jet aircraft.

in flight training

The audio control system for trainer aircraft caters for in-flight training of navigators, signallers and pilots.

Fully solid state, the fire warning system for armoured vehicles gives out a warning signal to the crew when the temperature in the engine, transmission and brake compartments exceeds the stipulated level so that remedial measures can be taken by them to avoid an outbreak of fire.

The gun actuating power pack—another solid state system which has replaced the imported electro-mechanical system—provides the electrical energy required for firing of ammunition from four aircraft guns simultaneously.

The high energy ignition unit is employed to provide a high intensity spark to ignite the fuel-airmixture in the combustion chamber of the jet engine. This too is a solid state version.

The gear box controller for armoured vehicles is to replace the imported electro-mechanical gear controller. The problems

of the electro-mechanical system have been completely eliminated by the solid state design developed by ADE.

The thermocouple tester is used for checking and calibrating the exhaust gas temperature indicating system of jet aircraft. The drop tank trolley enables easy and rapid loading/off-loading of 100 gallon and 230 gallon drop tanks of Hunter aircraft. Honeycomb panels offer high strength to weight ratios. The disorientation simulator has been designed and developed to study the effects of flight conditions on pilot's physiology and to condition him to become less susceptible to effects of disorientation. Avoidance of human errors to the extent possible is the aim of the simulator.

display system

Much more significant, however, is the entry of ADE into such high technological areas as development of display systems, weapon launchers and targets/drones and RPVs. The display systems, now a necessary and standard fitment in all the modern high-speed aircraft, help the pilot in more efficient weapon aiming and navigation through symbols projected in front of him in the head-up/head-down position. They relieve him of the burden of reading through the myriad of instruments and assist in concentrating effectively on the mission in hand. Utilising the various air data and navigational and weapon ballistic parameters to compute and display to the pilot the optimal instant of weapon release, the systems present complete information to the pilot in the form of symbols in his field of view.

As regards weapon launchers, ADE has already designed and developed a re-usable launchers for medium calibre weapons which can be fitted in most of the combat aircraft of the Indian Air Force.

The targets/drones and RPV project is currently in a fairly advanced stage of flight development. Though the obsolescence of manned aircraft is not yet in sight, the pilotless aircraft will surely take up progressively many missions in the areas where relatively high attrition rate is feared. Through this project, ADE is enabling the country to develop competence for the future. The design and development of targets/drones is being carried

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out completely indigenously without any technical assistance from abroad. Two prototypes have already been developed. The targets are released over the firing range from a mother aircraft whereafter they function autonomously. ADE has also designed and built a mini-RPV largely from fibre glass. This vehicle is now undergoing flight trials under remote control.

Several flight simulation facilities have been set up by ADE. They have a wide application in studying the handling characteristics of a proposed aircraft, development of flight control systems, the dynamics of power plants, development of avionics systems, display of navigation/attack systems, etc. They can also be used to train pilots at a much less cost than at present.

prototype manufacture

Equally significant work is being carried on at GTRE which has been entrusted with the task of designing and developing aero gas turbine engines, principally for meeting the requirements of air force and HAL, and establishing the required test facilities for component testing and executing research and development connected with the prototype manufacture of new engines. Although the achievements of this organisation have not been spectacular as yet, as the projects entrusted to it underwent great vicissitudes in the recent years, it has been able to nearly complete the latter assignment and has built up considerable expertise for the former.

The GTRE, it is claimed, had completed a major project on design and development of a reheat system upto 1700°K for Orpheus 703 engine which powers HF-24 Marut aircraft. This system had been type approved after extensive flight and bench testing. Development of higher degree or reheat to 2000°K was also taken up as a recommended research project by the air force. This reheat demonstrator system had been successfully tested under simulated flight conditions in a high altitude test facility. A requirement for a non-reheat more powerful engine for retrofitment in HF-24 (Marut Mk I) replacing Orpheus 703 engine was then projected. A more powerful reheat variant was also proposed for fitment in the Mk

II version of the aircraft. An engine design with 2000°K was evolved and the essential components developed. The proposed engine system was demonstrated in test bed to attain higher thrust. The HF-24 installed with two reheat versions of the engine, it is contended, would have had the same thrust characteristics as would be achieved by the Mirage FI aircraft with the SNECMA Atar 9K engine, now considered for the deep penetration strike aircraft. None of the above GTRE engines, however, could be put into service because the HF-24 aircraft programme was terminated. The advancement of technology achieved through the above projects, of course, has been used and integrated with the current projects. The impact will continue in the future also.

The GTRE has now evolved the design of a family of advanced technology engines based on the GTX concept. These engines are envisaged to meet the whole spectrum of power plant requirements of future military aircraft such as trainer, tactical support, strike, air superiority, etc. As all gas turbine engines suffer from the common feature of loss of power under high ambient conditions, the GTX flat "rated" concept, evolved by GTRE after a considerable extent of detailed system optimisation studies,

makes specific provisions to avoid this drawback so as to enable the aircraft to operate efficiently even in the high ambient conditions prevalent in the country. It is claimed that this is the first time that significant steps have been taken anywhere to overcome the above drawback, though it had been realised long back. The variants in view are based on the GTX as the common "core" or "mother" engine.

The GTX demonstrator model engine is already under test and from the results obtained so far, there is said to be little about the feasibilities of the variants. The scope for future application of the family of engines being developed by GTRE is as follows:

As aero-gas turbine technology requires long gestation and undertaking of several activities the time taken from the conceptual stage to production of an advanced technology engine can be of the order of 14/15 years. The activities include the main aspects of component research and development.

Consistent with the above, GTRE is at present engaged on the following:

(a) Design and development of advanced technology "flat rated" GTX and its by-pass variant engines upto demonstrator stage, as research

Sl. No.	Nomenclature	Type of aero engine	Possible military application
a.	GTX	Straight jet (operation under high Mach No. and high ambient temperatures)	Tactical air support aircraft-15 to 16 tonne class
b.	GTX (B)	By-pass (operation under high Mach No. and high ambient temperatures)	Air superiority aircraft—10 tonne class
c.	GTX-27	By-pass (unmixed)	STOL transport aircraft—to carry 75 passengers or 8.5 tonne cargo
d.	GTX-27R	By-pass, mixed, with reheat	Supersonic bomber of about 31 tonne class
e.	GTX-17	By-pass	Advanced trainer/light fighter—Ajeet type
f.	GTX-7	Straight jet	Basic trainer-Kiran type.

projects. The GTX demonstrator engine has been run for several hours and further testing is in hand. A single GTX engine, it is claimed, provides better thrust characteristics than two Rolls Royce Adour engines installed in the Jaguar aircraft now being considered for deep penetration strike aircraft.

(b) Setting up of various test and research facilities required for different aspects of gas turbine technology such as compressor, turbine, combustor, reheat, control system, mechanical behaviour, etc, with provision for automatic data processing.

(c) Research on various aspects such as: (i) afterburner combustion, (ii) blade cooling-heat transfer in HP/Turbine, (iii) transonic compressor—single and multi-stage variable capacity, (iv) control system for "top temperature" and "nozzle", (v) multivapour gutter system, (vi) shell cooling, (vii) mixing of compressible fluid, (viii) cascade flows, (ix) high intensity short combustors and annular combustors, (x) catalytic ignition, (xi) high performance centrifugal compressor and mixed flow turbines, (xii) proof, ultimate and fatigue behaviour and main shafts and shaft couplings, (xiii) stress studies on compressor/turbine discs and drums, (xiv) study of fatigue standards for rotor and stator blades, (xv) limiting loads on engine casing, (xvi) engine bearing endurance, (xvii) electron beam welding technology, (xviii) annular diffusers, (xix) aerodynamics of turbine—HP & LP, (xx) engine simulation techniques (both digital and analogue/hybrid), (xxi) turbo-charger for engine "Chetak", for main battle tank application, (xxii) turbo pump for surface to air missile rock motor, (xxiii) ramjets and small engines for RPF application, (xxiv) systems analysis and project feasibility studies on advanced engines for future military aircraft requirements, (xxv) liaison with other agencies on materials and metal forming techniques, and (xxvi) fall-out in fields other than aeronautical/military applications, e.g. industrial gas turbines for power generation, naval gas turbines for marine propulsion, etc.

Test facilities have been set up at GTRE to provide mechanical shaft power

for compressor testing and compressed air facility for carrying out aerodynamic research on gas turbine engine components such as combustors, turbines, etc. At present the established test facility capacity is shaft power of 22,500 KW (30,000 HP). Within the next six months, this power would be increased to about 30,000 KW (40,000 HP).

other facilities

In addition, GTRE has put up the following facilities:

(a) Twin-cell test bed for static testing of gas turbine engines upto 10,000 kg thrust. This facility is fully instrumented with provision for automatic acquisition and recording of data.

(b) High Mach number test bed for testing aero gas turbine engines under simulated flight speeds at low level and high ambient conditions.

(c) Rigs for mechanical engineering research and testing such as blade vibration, shaft-carcass testing, spinning, etc.

(d) Facility for carrying out testing and calibration of fuel system components.

(e) Prototype fabrication facilities.

The above account should bear testimony to the fact that we have marched a long way on the road of high technology. The research and development work currently being carried on at HAL, ADE and GTRE should stand in good stead if the government decides to manufacture indigenously the deep penetration strike aircraft. This work has not been taken up due to the large investment involved compared to our requirements and also lack of decision on the part of the government on whether it should be taken up.

It is gratifying to note that increasing funds are being made available for research and development effort. The R&D budget of HAL is understood to have grown by about 75 per cent during the last three years. The increase in the budgets of ADE and GTRE has been even more striking. The results attained cannot be said to be insignificant, compared to the limited though increased resources provided.

The production at the various units of HAL too has registered an upward trend.

It has grown in the past three years by over 15 per cent, although the manufacture of Basant and HF-24, as mentioned earlier, had to be discontinued recently. The current status of the order book promises work for HAL right up to 1982 at a reasonable utilisation of its manufacturing capacities. The under-utilisation of capacity currently is quite substantial (around 30 per cent) at the Kanpur division. This unit, therefore, may have to diversify its activities from the manufacture of HS-748 and Basant aircraft. The under-utilisation of capacity at the other units, particularly at Bangalore, is stated to be only in pockets. If the production cycle of HAL has to be reduced to the standards of its foreign collaborators, the works will have to be modernised a great deal. It is understood to be approximately 50 per cent larger than that of the collaborators at present.

The profitability of HAL, it being an engineering unit, leaves much to be desired. The profit before tax amounted to approximately Rs 9.22 crores in 1976-77, as against Rs 9.46 crores and Rs 8.35 crores in the previous two years, the dividend disbursements in 1974-75 and 1975-76 being at the rate of 1.75 per cent and in 1976-77 at two per cent. The paid-up capital of the enterprise in these years remained at Rs 56.91 crores. Reserves and surpluses have been of the order of Rs 41.32 crores, Rs 42.04 crores and Rs 45.01 crores, respectively. The undertaking, of course, cannot be entirely held responsible for low profitability. To some

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extent at least, its scale of production and it being a captive unit of defence are responsible for this.

Recently, of course, HAL has made its debut in the export market by securing, along with Bharat Electronics Ltd, an order for the supply of IFF/SSR airborne and ground equipment valued at \$782,810 to an east European country. This will be first ever export of a totally indigenous, state-of-the-art, major avionics equipment. There are stated to be good prospects of exporting HAL's helicopter spares to Malaysia and some other countries of south-east Asia. Some helicopter spares

have been supplied in the past to the French collaborators.

The scale of production of HAL can expand only if it starts catering for the civilian requirements in a much greater measure than has been the case hitherto. There are hopeful signs of such a development. A third-line feeder service project is under consideration in this connection to be undertaken in collaboration with a West German concern. It is envisaged to be a 50:50 venture between the two partners to manufacture the third-line feeder service aircraft for the domestic market and export. The design and prototype work will be divided by the two partners

among themselves according to their capabilities. A joint study has been taken up in this regard.

Estimated to cost about Rs 30 crores, the project, if sanctioned at an early date can start production in about four years. The HAL will then be able to make its proper entry in the world market. It will be a due global recognition of our capabilities in the sophisticated field of aircraft manufacture—a recognition gained to some extent by the excellent performance of Gnat in the last two conflicts with Pakistan.

(To be concluded)

The "black gold" is forever

Coal shortage is being felt generally throughout the country. Besides wagon shortage the other causes of reduced availability are absenteeism and indifferent industrial relations. As a last resort and as a stop gap, the author recommends import of limited quantities of coal to tide over the crisis in the interest of revival of trade and commercial activity.

THE PARADOX of scarcity in the midst of plenty of coal is with us again. India has reserves of coal of all types of the magnitude of 81,000 million tonnes, a good deal at the depth of only 600 metres from the surface. Some time ago we had a pithead stock of $12\frac{1}{2}$ million tonnes wanting to be utilised for export to prospective markets in Japan and western Europe as the domestic demand was slack. But today the situation is just the other way. The textile industry in Madhya Pradesh concentrated at Indore has received only 45 wagons against its requirements of 360 wagons. Last month only 50 per cent of its requirements were met. Apart from the coal being of an inferior quality it costs Rs 100 more per tonne of coal carried by lorries. In Bihar power output is acutely hit by coal shortage which is responsible for frequent mechanical failures. The industrial sector consequently has lost about Rs 10 crores due to irregular and inadequate supply and load shedding has brought about closure of nearly 20,000 small-scale units.

In UP while the landed cost of coal is Rs 170 a tonnes 'black gold' is being sold at Rs 400 a tonne. Railway wagons are

deployed for carrying foodgrains, fertilisers and cement which have a priority. The lowest priority is for brick-kiln industry which is worst hit. Coal smuggled from West Bengal to Punjab and Rajasthan has been of the order of 44,000 tonnes and has been sold at exorbitant prices. North Eastern Railway has cancelled several passenger trains and Eastern Railway is facing similar situation in view of the declining reserves of coal. The shortage of coal is felt generally throughout the country.

A breakthrough in the transport bottleneck is a matter of vital priority for the unhampered distribution of coal. The wagons allotted for movement of coal are only 1500 as against the estimated requirements of over 2000 wagons by Bihar Coking Coal Ltd. It is not only wagon allotment but actual loading wagons that hampers coal movement. A drastic change in the administrative policy is called for to tackle the problem on a war footing. Preference to transport coal through pipelines must be given due consideration as advised by National Committee on Science and Technology. The suggestion has been accepted by the government who have passed legislation for facilitating pipe-line

B. H. Lalvani

transport for iron-ore, etc. The slurry pipelines will be ideally suitable for bulk consumers whose requirements are large as well as constant. Pipeline transport will be ideal for coal and iron-ore and will put the country on the threshold of a revolution in the vital sphere of transport.

happy development

The Central Coalfields Ltd has been asked to step up coal production in the mines of Bihar to cope up with the increasing demand. With sufficient management and modern mining methods the existing mines can give the required quantities of coal. A happy development in this respect is the increased outlay provided in the recent budget of Rs 13 crores for better exploitation of the existing coal mines. The improvement in productivity will more than offset the hike in excise of 5 to 10 per cent—the lower percentage covering about $\frac{3}{4}$ of the coal output. At Jamshedpur a variant of the sponge iron technology has been developed as a viable proposition which will use non-coking coal as the direct reducing agent unlike other countries which use oil and gas for this purpose. The process which is cheaper will utilise non-coking coals of which India has large reserves well dispersed throughout the country. India's reserves of coking coal are small in relation to reserves of iron-ore. The adoption of the

sponge route will have the added advantages of reducing capital cost of steel plants, at the same time decentralising the industry in small units wherever suitable iron-ore and coal are available thus spreading its employment potential. It would also provide high grade raw material for existing electric steel furnaces.

lack of explosives

Besides wagon shortage other causes which have reduced availability of coal for consumption is labour absenteeism and indifferent industrial relations. There has been a drop in steam coal production due to delay in screening off run-off coal mines to select steam coal. The mining of coal has suffered a set back due to low production of explosives on account of shortage of power and absenteeism. Coal in India suffered a loss of Rs 90 crores in 1977-78. For the last three years the production has stagnated around 89 million tonnes. The target demand for 1978-79, the last year of the fifth Plan, was scaled down from 145 million tonnes to 124 million tonnes when we need still higher output coupled with higher productivity. The wages are four times the pre-nationalisation level and prices have been allowed to rise only twice, while production per manshift is 00.55 tonnes as against 00.4 of pre-nationalisation days—but a fraction of European levels. If coal is not used on an increasing scale the country will run short of energy and will face disaster following collapse of our economy.

Substitution of furnace oil by coal has resulted in a total saving of the Rs 83 crores monetary equivalent of saving of 13 lakh tonnes of furnace oil. To avoid a national catastrophe, the USA is committed to increasing coal production by two-thirds to more than a billion tonnes a year. Coal production has hitherto been adversely affected by the denial of sufficient licences for the import of spare parts for new plant and machinery. Fortunately the industry is now nationalised and with liberal import policies being currently pursued this constraint will cease to exist. Apart from labour force engaged in mining activities a number of ancillary supplying coal cutting machinery, some engineering and foundry units, refractories

and automobile workshops employing a sizeable labour force depend upon this industry and the well-being of these industries is tied up with the future of the coal industry.

The pit-head stock lying unutilised can last only about 45 days consumption and even for a lesser period considering the backlog of unsatisfied demand. A time lag of three to four months might be evolved in sorting out the difficulties of wagon allotment for transporting coal to its end users. Surface mining may be stepped up wherever possible to make coal available immediately. There is a limit to transport of coal by lorries as an alternative transport as they carry licensed loads after nationalisation. The government should set up storage centres for coal within convenient distances from main centres of consumption instead of piling it up at the pit heads so that the reserve stocks of coal can be supplied to them in times of shortage or transport difficulties. More and more coal will be required to carry out the programme of coal based chemicals that India is committed to. In USA 50 per cent coal resources have been bought over by major oil and chemical companies. In the UK also projects for coal gasification and

coal liquefaction have been taken in hand not found feasible for Indian coal containing high ash percentage.

The integrated Neyveli Lignite Project in Tamil Nadu is planned to increase the mineral output to 66.5 million tonnes per annum which will give a big boost to annual coal production in the country. The coal plan called Project Black Diamond has been suitably revised to meet the economic exigencies in the country requiring greater substitution of coal for oil and increased emphasis on use of indigenous machinery to save foreign exchange, thus ensuring maximum utilisation of the economies of coal production. As a last resort and only as a stop gap measure limited quantities of coal may be imported to tide over the crisis to meet the needs of the port towns and their environs for the additional cost involved can be more than made up by the revived trade and commercial activity. It may be just the occasion when we may be Carrying Coal to New Castle for a valid reason. The future trends are likely to encourage the return from oil to coal as the organic chemical raw material but on a different technological basis than the former coal-based systems.

Eastern Economist 30 Years Ago

JULY 9, 1948

Of all the high priorities which surround us in our economic life, the production of chemical fertilisers has long been recognised to be one of the highest. The story of the Sindri Scheme should, therefore, be one of special interest if it were not so sad. It is five years now since the Gregory Committee recommended immediate action to establish the manufacture of nitrogeous fertilisers; out of this recommendation grew the Sindri project which is still, in some measure, project only. It is reckoned that two years are still required for it to pass out of the pilot production stage. If there are no further reverses, a possibility which it would be unwise to rule out in view of the rough course the scheme has already run, the factory may go into full production towards the end of 1950 or the beginning of 1951.

No one can feel very happy about the progress

of this particular scheme and it is right that we should consider carefully the reasons which have led to such great delays and by consequence such heavy losses to the country, particularly in respect of the good production which, earlier manufacture of these fertilisers would have secured. It is not possible to assess the difficulties completely but they have apparently arisen under three main heads. In the first place, difficulties over the acquisition of the land for the township at Sindri seem to have occupied far more time than was proper. These difficulties have now been surmounted and there is no need to press responsibility in the present case, but it seems clear there should be some special power vested with the Centre, in the case of an industry of this class with both vital all-India importance and potential capacity, to insist on a Province completing all acquisition formalities within a reasonable time.

Inflation-fighting: foremost US economic priority

Sudhir Sen

A substantial social security tax and a highly inflationary coal strike settlement are some of the self-inflicted wounds on the US economy. In an effort to brake the inflationary expectations and to arrest the dollar slide, credit reins have been tightened and the prime rate increased. Despite all these steps and its pleas about inflation control, US administration's record of achievement remains conspicuously thin.

INFLATION IN America has long ceased to be a purely domestic issue, and has become a matter of global concern. In one form or another, it affects the economies not only of the rich, but also of India and other developing nations. To mention only the most obvious, it has a direct impact on the US trade deficit and the flood of surplus dollars it creates, which in turn feeds inflation abroad, dislocates the exchange rates of major currencies, disrupts orderly economic growth and distorts the pattern of world trade.

Yet, Washington has taken a long time

stronger stimulus in order to close the so-called growth gap.

The US thesis, though orchestrated by the Carter administration and warmly supported by liberal economists, was vulnerable on several counts. First, the trade deficit had reached the staggering dimension of \$27 billion in 1977 and this was the direct result of an even more staggering oil import bill which amounted to \$45 billion. As the West German Chancellor, Dr Helmut Schmidt, time and again pointed out, economic growth with reasonable stability could not be

WINDOW ON THE WORLD

to recognize these elementary facts of life. Until recently its primary emphasis was on stimulating the economy sufficiently so as to bring down the unemployment at a faster rate. As for the depreciating dollar, it adopted a nonchalant attitude, implying that upholding its value was primarily the responsibility of other nations, especially of those who had amassed billions of dollars. And, whether explicitly or by implication, it put the blame for its soaring trade deficit that was pushing the dollar down, mainly on West Germany and Japan, the two other "locomotive economies" because of their sluggish recovery and prodded them to apply

attained until the USA substantially slashed its oil imports. Second, even in the fourth year of rather strong economic recovery in the USA, the federal budget as drawn up by the Carter administration, showed a deficit of \$60 billion; whereas at such a point of the business cycle the budget, as stressed by a good many people, out to be in balance, if not in surplus. Finally, the steep dollar decline itself has made it far more difficult for West Germany to attain anything like a satisfactory growth rate since its export-oriented economy cannot but be badly hurt by the sharp appreciation of the German

mark, a fact that Chancellor Schmidt has repeatedly tried to drive home.

Besides, in accordance with the commonly accepted theory it was assumed that the declining dollar would stimulate exports and curb imports, thereby reducing the trade deficit. In practice, however, things do not always work that way. There is, first of all, the all-important time factor. The volume of imports may and often does, hold up even in face of a depreciating national currency while industries usually need time to take advantage of the lower exchange rate and build up their exports. The net effect of dearer imports and cheaper exports is, at least in the short run, not an improvement, but a further worsening of the trade balance. In other words, what in current economic jargon is called the "J-curve" phenomenon comes into play. This is best exemplified by what has happened to Japan's trade surplus with the USA. Last year the surplus amounted to about \$8 billion; this year it is expected to be over \$12 billion.

practical snags

There are other practical snags which can neutralise the hoped-for export stimulus. Once the foreign competition is reduced because of the falling exchange, the domestic industry may decide to raise the price of domestic goods rather than built up exports. This is precisely what has happened here in numerous instances. The most striking example of such action is provided by the auto industry. When the steeply rising yen forced the hands of Japan's automakers to increase the prices of Toyota, Datsun and other Japanese cars, Ford and General Motors proceeded to hike the prices of the US-make cars to improve their own profit margins. The result has been more inflation rather than more exports.

Moreover, faced with the threat of increased US competition other countries

may in turn proceed to take effective counter-measures to protect their own interest, such as depreciating their own currencies, imposing fresh tariffs or other curbs on imports, or simply lowering their own export prices even at a sacrifice in order not to lose their share of the world market. The net result would then be an overall shrinkage of world trade, which would hurt the USA as well as other nations.

critical problems

Clearly, the Carter administration's economic policies were destined to be largely self-defeating because of its failure to crack down on the two most critical problems—inflation and energy—which have continued to plague the US economy, despite all the glowing rhetoric it has indulged in for more than a year. In fact, the series of *ad hoc* and, in the main, politically motivated actions president Carter personally took last year, at times against the advice of his senior aides or without prior consultation with them, only added fresh fuel to the fires of inflation: a sizable subsidy extended to the maritime union to redeem an election-time pledge; a milk-price hike and a more generous price support for farmers, followed by the so-called "set-aside programme" which withdrew a sizable acreage from wheat and corn cultivation in order to push up farm prices and raise farm incomes; a very substantial boost in minimum wages, much beyond what was recommended by the senior economic advisers, mainly to propitiate the AFLCIO and its militant chief, Mr George Meany, though it adversely impacted both inflation and joblessness; the so-called "orderly marketing agreements" which curbed the imports of price-competitive goods, especially from Japan, and the ingenious "trigger-price" device which was introduced to protect American steel from Japanese and west European competition.

To this litany of inflationary steps should be added what Mr Arthur Okun, former chairman of President Johnson's Council of Economic Advisers, calls "self-inflicted wounds": A substantial social security tax initiated by the White House and enacted by the Congress last year, though it will directly feed inflation and

reduce employment; and a highly inflationary coal strike settlement effectuated with federal blessings, which would increase wages and fringe benefits by about 39 per cent in three years. Since the settlement is "front-loaded", its impact will be felt more strongly in the first year.

The inevitable effect of these steps along with the large budget deficits, bulging money supply and the plunging dollar has been a visible acceleration in the rate of inflation—from an actual rate of 4.6 in 1976 to an officially projected rate of 6.5 per cent in the current year. The projection is now admitted as too low. The Treasury Secretary, Mr Blumenthal estimates that the rate is more likely to be around seven per cent this year.

all-round increases

Even this last figure, however, is predicated on a significant cooling of inflation in the second half of 1977 to offset the spurt that has already taken place since January last. According to the Bureau of Labour Statistics, the consumer price index rose eight per cent in March, which was the third consecutive month in which prices leapt ahead at an annual rate close to the double-digit level. Food prices soared by as much as 16 per cent annual rate, housing and medicare by 10 and nine per cent respectively; all services, taken together, rose at a nine per cent annual rate. And so far there has been only hope, but little visible sign of real improvement on the price front.

The public reaction to these price trends has been one of increasing discontent. Confidence in the administration's ability to manage the complex American economy steadily ebbed and touched a new low, as reflected in the opinion polls. Apparently, the president was scared, and abruptly decided to shift gear and to make inflation-fighting his foremost concern. He was no doubt pushed in that direction by the unequivocal policy adopted by Mr G. William Miller, the newly-installed chairman of the Federal Reserve Board. To brake the inflationary expectations and to arrest the dollar slide, which Mr Miller forthrightly declared as his overriding policy objectives, he tightened the credit reins and quickly pushed

up the interest rates. In the last two months, the prime rate (the lowest rate allowed to the most-favoured customers) has gone up by a full percentage points—to 8.75 per cent.

Simultaneously, Mr Miller publicly urged the president to reduce the projected budget deficit for the next fiscal year by a sizable amount. The specific proposal he made was to knock off at least \$5 billion from the tax cut package Mr Carter had transmitted to Congress last January; and to that end he suggested that the proposed tax cuts be deferred by three months to take effect from January 1979 rather than from October next. The signal he sent to the White House through these moves was loud and clear. He was loath to push up interest rates unduly high since it would hurt the economy and induce a new recession. But he could avert this only if the White House and the Congress played their part in fighting inflation by exercising necessary fiscal restraint. Mr Carter understood the signal and acted accordingly, and it seems the Congress is, willy-nilly, falling in line.

federal spending

Meanwhile, there has been a visible escalation of anti-inflation rhetoric. For example, at his last press conference (held on June 14), president Carter struck a rather unusual note. "Unless the Congress shows restraint in spending," he observed, "it will set the worst possible example for our workers and businessmen whom I've asked to restrain their own wage and price increases in order to hold down inflation. Unless we recognise the limits on our ability to spend in the federal government, then both American citizens *and those in foreign countries will see that we cannot take the difficult decisions that are necessary if inflation is to be controlled.* Then he threatened to veto the public works appropriations bill should the Congress pass it in an inflated form, adding \$1.4 billion more in spending over the life of 46 new water projects, some of which had been rejected last year as unsound projects.

The italicized part of the statement is rather intriguing. American citizens and those in foreign countries have long been baffled by the administration's inability

to take tough decision in order to keep inflation in check, and they have, in particular, often lamented Mr Carter's own actions. Even economist, Mr Barry Bosworth, who heads the Council on Wage and Price Stability (COWPS) and is working hard persuading—or "jawboning", to use the vivid verb that has increasingly come into vogue in the inflation fighting context—businessmen and labour unions to exercise moderation in their demands, ruefully admits: "The government has faced a lot of difficult choices over the last couple of years, and it has caved in frequently. It has taken the easy way out." (The coal miners' settlement he has reportedly called "disastrous".) In choosing the easy way out Mr Carter has set up a new record. Given the background, the admonition he addressed to the Congress at his press conference has an ironical ring.

charge repeated

His concern about the "foreign countries" lest they find Washington soft on inflation sounds awkward for a similar reason. This is the charge that Chancellor Schmidt has repeatedly levelled against Washington, and Japan, too, has been saying essentially the same thing, though in its strenuously polite fashion. Only the other day (June 17) prime minister, Takei Fukuda publicly stated that Japan had done all it could to keep down its trade surplus with the USA; that it was now for Washington to do the rest, especially on the inflation front.

The real reason for the sudden concern Mr Carter displayed about the "foreign" countries' reaction to the USA's fight against inflation is not hard to find. The next economic summit meeting of the top industrial leaders of the west is scheduled for mid-July in Bonn. And he is understandably anxious to convey to his western partners the impression that he is trying hard to control inflation at home. How much ice will it cut at the summit remains to be seen.

Despite all the pleas and promises about inflation control, the administration's record of actual achievements to date remains conspicuously thin. Like businessmen and labour unions, Mr Carter was consistently opposed to wage-price

control which, he rightly believes, would not only not work in the giant American economy, but would lead to widespread distortions and in the end prove counter-productive. Yet he saw the need for some kind of broadly and flexibly conceived incomes policy. This, too, was anathema to industries and labour; and faced with their combined opposition, he retreated to his next fallback position, namely, "prenotification". This simply meant that before raising prices industries should notify the COWPS and give it enough time to study the situation. When even this proved unacceptable to businessmen and union leaders, Mr Carter solemnly embraced the face-saving formula of "voluntary restraint". Some of his economic aides murmured in dismay: "Surrender!"

Predictably enough, voluntary restraint soon dissolves itself into no restraint, and several key industries hiked prices with only their own balance sheets in mind and without qualms about their inflationary implications. And so there began the most recent phase, that of jawboning, which gained in intensity this spring as the convergence of adverse factors pushed up the inflation rate perilously close to the double-digit level. Since then the COWPS has booked a few notable successes, thanks to the deft and diligent footwork by its chief, Mr Bosworth and the high-level backing of the master negotiator, Ambassador Robert Strauss, the architect of a series of orderly marketing agreements particularly with Japan, now

serving also as the president's special counsellor on inflation.

Last March, when the US Steel abruptly raised prices by \$10.50 a ton, COWPS, quickly enlisting the support of other major steel companies, managed to force it back to \$5.50 a ton; the US Steel, admitting defeat, fell in line. The same story has just been repeated, only with a change in figures. This time a price hike of \$5 a ton by the US Steel has been scaled down to \$3. To cite another example, the administration, as part of its anti-inflation programme, sought to limit business executives' salary increases to five per cent. This year Mr Strauss promptly obtained compliance from A.T. & T., General Motors, and a number of other large corporations. Both sides, it seems, benefited from the exercise. The administration could publicise one more victory in its fight against inflation; and businessmen found a good opportunity for improved public relations at little or no expense.

Clearly, jawboning, even at its best, can be no more than a palliative. Few people have any illusion about its adequacy in fighting inflation, the causes of which run deep and embrace, to cite only the most obvious, budget deficits, money supply, oil imports, trade imbalance and dollar decline. Mr Roger Smith, executive vice president of General Motors, has neatly assessed the practical value of jawboning: "... this is like taking one-tenth of an aspirin for a huge headache."

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Manager

CMEA and the Third World

L. Z. Zevin

CMEA countries are assisting developing countries in their efforts at creating and restructuring independent national economy's and to find for themselves a position in the world economy. Most of the agreements between the CMEA and the developing countries are on long-term basis.

ECONOMIC COOPERATION of socialist states with the developing countries is aimed at the development of the national economies of the developing countries so that they may overcome their economic backwardness, and strengthen their national independence. Mutual interest has determined the swift expansion of trade between the CMEA countries and developing states. From 1955 to 1976, its average annual growth rate was about 14 per cent. The Asian, African and Latin American countries have become important foreign trade partners of the CMEA countries (about 10 per cent of their entire trade turnover).

During these years, considerable changes have taken place in the structure of mutual trade. The CMEA countries continue to export machinery and equipment of complete plant and enterprises to developing states. In the 1970's the share of these goods in their exports to the developing countries was as much as 30 to 40 per cent. Similarly exports of developing countries to the CMEA region have undergone considerable changes. This is more so in the case of more developed among the developing countries. For example, in the early 1970's the share of finished goods and semi-manufactures in the exports of these countries to the CMEA countries exceeded 25 per cent. Their share in the exports of India to the USSR now ranges between 40 and 50 per cent.

long-term agreements

Stability is a characteristic feature of this trade, based as it is on long-term trade and payment agreements, which are now usually concluded for a period of three, five and more years. These agreements help to integrate the exchange of goods with economic cooperation and

national development plans. Economic and technical cooperation is effected on the basis of inter-governmental agreements. Now the CMEA member countries have such agreements with 78 countries.

The cooperation of the USSR with a number of developing countries has assumed the features of a stable division of labour, brought about on the basis of 10 to 15 year agreements. The USSR has such agreements with India, Afghanistan, Turkey, Iraq, Syria, Algeria and so on. In planning and implementing cooperation, socialist countries pay special attention to the desire of developing countries to consolidate the public sector, to extend the planned elements in the economy, to carry out programmes for the industrialisation and diversification of their economy.

specific features

The CMEA countries take into account the specific features of a developing country and aim at the creation of a rational national economic complex based on modern technology and designed to produce the maximum economic impact. For example, the construction of the hydraulic complex on the Euphrates in Syria with the Soviet Union's assistance will enhance the formation of a modern economy, speed up industrialisation and the building up of heavy industry there. The core of the complex is a hydro-electric power station with a capacity of 800 megawatts. It gives this country a powerful source of cheap electricity. High-voltage power transmission line will link important parts of the country into a single power grid, which will improve the distribution of the productive forces and facilitate the opening up of new areas. The water reservoir formed by the dam

will irrigate 600,000 hectares of land, doubling the country's irrigated areas. In cooperation with CMEA member countries Syria is developing its deposits of iron ore, phosphorites, rock salt and several new oil fields, reclaiming large areas of land around the Euphrates hydraulic complex. Cooperation with the Soviet Union is envisaged in creating a large group of enterprises in the light and food industries. A nitrogenous fertiliser plant will play a positive role in raising crop yields and ensuring their stability.

aid to India

In India a number of industrial complexes had been built with the cooperation of the Soviet Union. These include iron ore deposits, coal pits and mines, Bhilai and Bokaro steel plants, engineering plants in Ranchi, Durgapur and Hardwar, oil-fields and oil refineries. Now these enterprises produce a considerable, sometimes dominant, part of the output in corresponding sectors of the Indian economy. They have helped India to lay a solid foundation for its industrial advance, and emerge as an industrial nation in a short period of time.

This comprehensive approach to cooperation can also be seen in other countries. In cooperation with other CMEA countries, Soviet organisations are building an iron and steel complex in Nigeria, as also a number of surveying and geological prospecting organisations, mining enterprises and educational centres. It is planned to expand power engineering, transportation facilities, social and service establishments.

Thus the cooperation in the building of industrial-and-territorial and industrial-and-agrarian complexes stimulate specialisation and cooperation and the integration of technical and industrial know-how in the developing economies. A complex comprising a group of interrelated enterprises with an appropriate designing centre will, as a rule, "generate" technical knowledge more rapidly in the course

of industrial development than individual, even large enterprises, which often tend to acquire an orientation towards imported know-how and technologies. This process is in full conformity with the concept of self-reliance of the Third World countries.

It is of great importance when establishing such complexes to take into account the trends in the international socialist division of labour and the integration processes within the CMEA zone. The pooling of efforts by several socialist countries and the coordination of their aid to one or another developing countries enable the latter to resolve more successfully major national-economic problems. It should be specially stressed that assistance by several socialist countries is actually coordinated by the recipient country, which usually turns to its economic development plan for this purpose. When drawing up the plan, it tries to find and take into account optimum variants of utilising external resources from various sources. Such a regulating mechanism enables the developing country to fully uphold its interests.

In a number of developing states, implementation of these cooperation projects produce strong impact on restructuring the entire economy and allow it to advance on its own basis. The creation of modern industry, according to our view, is simultaneously a prerequisite also for accomplishing the cardinal external economic task of developing countries—to secure for themselves a truly equal position in the world-economy and the international division of labour.

division of labour

It is for this reason that assistance by CMEA countries in advancing the economy of Third World states serves as the basis for shaping a new division of labour between countries with a different level of development and a different social system. This new division of labour is characterised by mutual benefit, respect for sovereignty, non-interference in internal affairs, full equality of the sides, transfer of scientific, technological and production know-how by the more developed to the less developed countries for the purpose of eliminating the backwardness and the prevention of unjustified concentration

of advantages from cooperation on one side.

As was mentioned above, assistance of the CMEA countries to developing states has a comprehensive character. More than 70 per cent of its entire volume is allocated for key industries, power production, engineering, the iron and steel industry, and others. Altogether over 3,300 industrial enterprises and other projects in various spheres of the national economy of developing countries have been built or are under construction now with the assistance of the CMEA member countries. Of that number, about 2,700 projects are already in operation. The CMEA countries took upon themselves commitments to provide necessary credits to respective developing countries to support their efforts in creating an independent national economy. The volume of these credits reached nearly 15,000 million roubles (approximately 21,000 million dollars).

increased production

The realisation of the agreements already concluded and of several preliminary understandings will increase the production capacities of the developing countries built in cooperation with the CMEA states by 30 million tons of steel per year, 60 million tons of oil, 30 million tons of petroleum products. The installed capacity of all types of power plants will exceed 16 million kwt. As a result of aid in developing gas fields and building pipelines over 30 billion cub met of gas can be used for home consumption and exports. As a result of cooperation in the creation of hydraulic complexes and irrigation systems conditions are made for reclaiming over three million hectares of arid land.

In accordance with the wishes of their partners the CMEA countries have launched a large-scale programme of training skilled personnel in developing countries. By the beginning of 1978 approximately 800,000 engineers, technicians and skilled workers have been (out of this number 600,000 are with the assistance of the Soviet Union) trained. The training of personnel is done in the first place in vocations where the need is greatest in the respective developing countries. A

mutually complementary system of training personnel of different skills is employed in the developing and the socialist countries.

mass training method

Most widely the method of mass training of national personnel has been applied directly at the construction sites of industrial and other projects built with the help of CMEA countries. About four-fifth of the total number of national specialists have been taught by this method. About 33,000 students from 107 developing countries are studying in the CMEA countries and about 2,000 people are undergoing training in technical schools, at enterprises and institutions. In cooperation with the CMEA countries 26 higher and secondary educational establishments, more than 100 training centres and vocational technical schools have been built and equipped in developing countries.

Cooperation between these two groups of countries have been predominantly bilateral, so far. Several factors at work in the world economy now enhance the role of multilateral relations, between socialist and developing countries. However, such cooperation is developing against the background of not only the differences in their economic systems, but also lack of detailed knowledge of their workings. The successful expansion of multilateral cooperation cannot therefore be ensured by mechanical copying of economic instruments which operate in the market-economy system. Apparently, this object is to be attained by the creation of a specific mechanism of economic cooperation. In other words, both sides face the necessity of taking a set of macro and micro-economic measures that would create a situation conducive to large-scale joint activity, continued perfection of the legal foundation and institutional mechanism of cooperation and reciprocal adaptation of national economic systems.

Most multilateral schemes within the framework of CMEA are effected in the sphere of production. The expansion of trade is mainly the result of these schemes.

It is also vital to bear in mind a basic distinction of the planned and balanced

socialist economy: its import incentive cannot emerge spontaneously (any more than its export orientation), developing via an interrelated system of plan decisions. Therefore the countries which desire to expand their export to, or import from, socialist states should reckon with this objective reality. However, sometimes representatives of some developing countries in their efforts to expand multilateral cooperation with socialist states do not pay enough attention to this important factor and try to apply to it stimuli operating in free-market economy. Naturally, such approach may become an obstacle to the development of mutually advantageous promising forms of co-operation between these two groups of countries.

The basic institutional instrument whereby the participation of other countries in multilateral schemes in the CMEA zone is achieved with a view to expanding their trade potentials is a system of agreements at different levels. This organisational structure of incentives to trade and economic relations permits to adjust the different economic mechanisms of multilateral schemes in the sphere of

production which are being carried out in the course of socialist economic integration and consider the requirements of developing countries in expanding their potential in the markets of socialist countries.

And the last, but not the least important fact is that many developing countries are in search of alternative patterns of development. These efforts brought to the forefront such concepts of economic and social development and international cooperation as "collective self-reliance", "indigenous development" and "satisfaction of basic needs." It is not my purpose here to analyse these concepts in detail but I would like to draw your attention to one of the most essential issues of development strategies—that is to the choice of technique and the size of enterprise.

From the standpoint of a developing country's pressing problems (employment, income growth), there may be justification for an orientation towards the priority establishment of small or medium-size industries (this applies to the export sector as well), which do not require large capital investment and employs a

large quantity of unoccupied, semi-skilled manpower. But if in the meantime, the long-range interests of advancement are neglected—interests which call for the construction of large-scale industry based on modern technology and creating the prerequisites for structuring the entire national economy and ensuring high labour productivity in all of its sectors, then the danger may arise that the existing gap between the developed and the developing countries will be preserved and even widened. Ultimately, such a development strategy could hold down the economic growth rate and the standard of living, impede the utilisation of scientific and technological advance, hamper social transformation and in foreign relations, weaken a country's position in world trade and in the international division of labour. That is why, in organising cooperation with developing countries, the CMEA member countries seek to take all these considerations into account as much as possible and together with their partners try to find solutions that would suit the concrete conditions and specific character of a given country at a particular stage of its development.

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Reviewed by **Academicus**

THE TRIALS and tribulations involved in making the old order yield place to a new one, especially in a country like India, are extremely exhausting and exasperating. This becomes evident when, for example, we begin to think of the utter inability of the government "to redress and remove quickly the excesses and yokes imposed on the peasantry since the days of the warlords, and of colonial rule, by absentee landlords, rapacious revenue-fief holders, zamindars as well as petty traders, usurers, tyrannical bureaucracy in the state of Bihar (as also elsewhere) even a generation after the country became independent." This becomes clear (if any evidence is necessary at all) from *Land Problems and Land Reforms—A Study with Reference to Bihar* by Dr Gyaneshwar Ojha which is based on his thesis approved for the Ph.D. degree of the University of Bhagalpur in 1972.

From the reading of Dr. Ojha's detailed and comprehensive analysis of land reforms in the state of Bihar, one gets his opinion confirmed that the so-called land reformers are making more noise than sense, leaving sufficient time and scope "to rig the business and corrupt the enforcing machinery, including dilatory and redoubtable tenancy and civil courts, for the western system of jurisprudence and Roman Evidence Act, followed in

most developed countries, are not quite germane to our soil and instincts or training of the masses."

What is observed in Bihar (as also elsewhere) is that even where partial enforcement of land reforms is achieved, follow-up action on consolidation of holdings, on improving irrigation on small farms and on supplying improved seeds and fertilisers as also on imparting new techniques is half-hearted and halt-

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ing. One observes in Bihar utter lack of supporting financial and processing facilities with the consequence that far too often there is considerable spoilage in storage and distress selling of agricultural produce by peasantry. The droughts and pests which still continue with practically the same vehemence as of old often wipe out the whole long-term and short-term investments of the farmer, while there is erosion of profit and their sucking off by the middlemen such as money-lenders, traders or small and big industrialists who control various processing operations of agricultural commodities. No wonder

there are diminishing returns from agriculture!

What is worse, "larger portion of land, which supports a small portion of population is centred in a few hands, while large population, which owns a small portion of land and has little means of credit-worthiness to make long-term or even seasonal investment in agricultural improvements for improved cultivation practices owns a small portion of land." This is true of Bihar as of the whole country. The general ratio is that 30 per cent of big holdings cover 70 per cent of cultivable land, while 70 per cent of small and marginal holdings cover only 30 per cent of it, and that too mostly of dry-farming type. And hence the importance of small farmers and cooperative crop-loans and land development loan schemes which in Bihar are however found to be awfully few and run inefficiently, political considerations often dominating their functioning. All this leads to multiple exploitation of man and his farm in Bihar leading to stagnancy in the agricultural sector and more often to dwindling productivity.

a mirror on India

In studying the problems of land reforms in Bihar in depth and in setting out the socio-economic implications of agrarian problems and post-independence land reforms in Bihar, Dr Ojha "holds the mirror to a broader situation prevailing all over India." Since the average holding is less than 3.65 acres and since 85 per cent population in Bihar is engaged in agricultural pursuits and dependent on it, those who are on marginal living standards and are exposed to poverty and pestilence in the state of Bihar are perhaps worse off than their counterparts elsewhere in India, excepting possibly in Kerala and West Bengal.

One heartening feature however in Bihar is that per acre productivity of

owner-operated farms showed an increase of 0.48 maunds or about 25 per cent over the productivity achieved before the abolition of the zamindari system. The author has critically analysed the effects of abolition of zamindari system and of tenancy reforms as also the aberration and lapses in their implementation. The creation of infrastructure of communications, irrigation and community awareness all as a result of overall planning, are also fairly well analysed, though further details would have been welcome, just for proving the point, if for no other reason, that the state governments just cannot stand motionless under a democracy. Irrigation thus increased from 12 per cent to 33 per cent, though new technology failed to make a breakthrough because increase in the use of fertilisers has been still negligible. While the land revenue increased on the abolition of zamindari system to Rs 6.48 crores, the compensation paid to zamindars amounted to Rs 151 crores. Besides there was sharp increase in expenditure on revenue administration which shot up to Rs 9 crores per year. What has been most disappointing is that though zamindari system has been abolished, the measure has failed to abolish intermediaries or eliminate the idle rent-receiving class or stop rack-renting practices.

little impact

All these measures have therefore made little impact on the underprivileged sections of society who constitute a very large proportion of the total population of the state. This vast underprivileged section of the community continues to be victim of higher castes and classes, the village officials and of unemployment, low wages and intermittent starvation.

Dr Ojha has rightly emphasised that in the changed socio-economic conditions of the second half of the 20th century, the problem of distribution is no less important than the problem of creating a surplus which had come to be emphasised during the process of capitalist development in the 19th century when laissez faire philosophy reigned supreme in western countries.

Dr Ojha deserves high encomiums for this comprehensive study of land reforms

in Bihar. It is an exceptionally fine case study proving beyond doubt—if any proof were needed at all—that our politicians' doings and tinkering with land reforms in the country and particularly in the states like Bihar even during the post-independence era have miscarried and are bound to produce the grapes of wrath. The problems of land reforms in the country have been analysed threadbare; what really matters is the effective implementation which involves the question of political will. Appointing yet another high powered committee to go into the question of land reforms in the country as the Janata government has done recently only goes to exhibit lack of political will on their part, if not an attempt to hoodwink the people at large.

GLOBAL GIANTS

Though the institution of multinational corporations is of comparatively recent origin, yet in a relatively short period of twenty-five years or so, it has changed the pattern of international trade flows and international finance and with it the character of world economy. International corporations such as General Motors, ITT, Bayer, Siemens, Volkswagen and Unilever have grown in size and power. In early seventies they had accounted for one-eighth of all international trade; the indications are that by 1980s, they will control nearly one-fourth. They have become so powerful that they can disrupt economies of developing countries or even threaten the sovereignty of nation-states. This has been brought out in *Global Giants* by P.K. Ghosh and V.P. Minocha.

In early 1970s there were 650 giant multinational corporations recording a combined turnover worth 773 billion dollars a year. Of these 213 multinational firms did business worth more than \$1 billion each in manufacturing and extractive industries. Their aggregate worth exceeded the value of any single nation's GNP in the world excepting that of the USA and the USSR.

In recent years there has been increasing number of publications on multinational enterprises. These publications aim at developing theories of foreign investment and growth of multinationals or undertake empirical studies bearing on

the impact of their operations on the economies of host countries. Increasing concern is also being shown at present with the role of multinationals in developing countries. Searching enquiries are afoot to find out empirically whether, how and to what extent Third World countries have benefited from the entry of multinational corporations (MNCs) in those countries and at what cost. The problem of containing the dominance of these multinationals in the LDCs is engaging increasing attention of both national governments and of the United Nations.

The joint editors of this book have made an attempt to highlight certain critical aspects of the operations of multinationals in the economically less developed countries. There are in this book nine essays bearing on such aspects of multinationals as technology transfer, export performance, tax policies and regulation of MNCs in India.

Prof. P.K. Ghosh has examined in his article the potential contribution of foreign private investments in LDCs and the diseconomies and costs which are inevitable concomitants of the same. He has followed up this with an analysis of certain aspects of remittance issue with special reference to India and has suggested that the regulatory policy to be adopted should take into account the preferences and propensities of MNCs revealed by their operations so far.

technology transfer

Dr S.K. Misra has analysed the pros and cons of technology transfer by MNCs and has argued, on the basis of empirical findings, that "diffusion of technology in developing countries through MNCs is at best a half truth if not a myth." Messrs Bhasin and Seth have also dealt with the same problem of transfer of technology by MNCs with special reference to the problem of factor proportions and factor-substitutions in developing countries. It is found that the choice of technology by MNCs is seldom influenced by social welfare considerations of the host countries. MNCs rarely make an attempt to develop processes and equipment for specific environment in these economies. Most MNCs just arrange to

export technology unchanged from domestic operations. This is also due to attempts to ensure oligopolistic power in markets in developing countries. In the absence of competitive market for technology, the price is determined by the multinational firm arbitrarily and is usually higher than the one quoted to a big firm in developed countries. Often the US multinational firms have transferred second-hand technology declared as new at exorbitant prices. Better test of any measure adopted in a developing country is how it has affected the poorest 60 or 70 per cent of the population in the country. From that point of view, the authors have pointed out that transfer of technology by MNCs has had hardly any impact on the living conditions of masses in developing countries. This is for two reasons. The technology transferred by them is mostly labour-saving and therefore has hardly made any dent on the vast problem of employment of masses who hardly possess any modern skills; and secondly goods turned out by these MNCs are mostly for elite classes in the society.

export performance

Prof. C.D. Wadhwa has examined recent export performance of a number of leading MNCs. Taking specific case of Hindustan Lever, the author has shown that the exports of MNCs which showed a rising trend in recent years would not have occurred but for the push given by the policies of the government of India, ranging from incentives to export obligations. The author has pointed out that the MNCs did not come to India in the first instance for setting up export platforms; nor do they on their own want to set-up export-oriented industries within the field left open for them. The study of the same subject by Bhashyam and Dr Subbarao only helps to confirm the above findings. S.R. Sharma writing on export performance of MNCs has argued in favour of a selective strategy of 'collaboration and competition' with MNCs. "This implies collaboration with MNCs in the area where national companies are not very competitive and competition with them where the national firms enjoy competitive advantages."

V.S. Minocha in his article has provided

a frame work within which a nation-state could define and disentangle its relationships with multinational corporations on the one hand and domestic firms that are affected by the entry of MNCs on the other. The author has argued that a market-oriented economy must desirably have an 'out-ward looking' orientation and hence the regulation of multinational corporations needs to be through national policies rather than through international agencies. In view of the type of technology transferred by MNCs, their neglect of export front unless that is made an obligation, their adoption of capital-intensive processes of production with undesirable consequences on employment situation in developing countries, and their desperate efforts to protect their own interests, if necessary by subverting governments in host countries (as evidenced by the activities of the ITT in Chile) all make a comprehensive regulatory framework necessary, if advantage is to be taken of MNCs by developing countries. Among developing countries, India is the one country which appears to be moving along right lines in evolving an appropriate regulatory framework.

All the articles are product of deep study and therefore deserving of attention of policy-makers in developing countries. They give readers an insight into the functioning of multinational corporations. Fairly exhaustive bibliography running over 42 pages provides an extremely rich source of information to all those students wanting to study in depth this modern economic phenomenon, namely global giants who possess the potential both for uplifting developing economies as also destroying them.

MONETARY MANAGEMENT

In *Promotional Aspects of Monetary Management in India*, the author Vinay Kumar Verma has made an attempt to deal with promotional as distinct from regulatory aspects of monetary management in a developing country. It is now generally acknowledged that with all the limitations, monetary policy can assist the process of economic development of backward countries. According to the author, the integration of the principles of monetary management and the process of

development in real terms gave rise to the study of promotional aspects of monetary management. Naturally the line of evolution of central banking in developing countries is bound to be substantially different from the orthodox central banking norms. The author has made an attempt to draw attention to the lessons derived in the sphere of promotional role of monetary management from the Indian experience.

new dimensions

The lessons in promotional role of monetary management may justly be said to be the result of experimentation in this field by the Reserve Bank of India. Regulatory and promotional aspects of monetary management tend to acquire new dimensions in the promotional context. According to the author, the term regulatory aspect of monetary management connotes "efforts of the central bank to help to maintain domestic monetary equilibrium and to maintain a given stationary level of development." Stationary conditions imply that economic system is guided in such a way that "the same level of developmental equilibrium is maintained with the passage of time." In its regulatory role, the contribution of monetary management is passive. On the other hand, promotional role of monetary management implies raising of the economy from the doldrums of stationary equilibrium. In its promotional role, monetary management must contribute to the acceleration of the real developmental process so that the economy shifts from the lower level of equilibrium to successively higher developmental equilibria.

According to the author, active or promotional role of monetary management will be concerned with the growth of monetary order. Growth of monetary order implies "an increase in the stock of monetary resources, expansion of financial institutions, growth of capital market, and intervention of monetary authority in sectors which face financial bottlenecks during the process of development." The author has emphasised that "the growth of monetary order must be appropriate to the rate of develop-

ment process as an inappropriate growth of monetary order is likely to impede the real process of development." Inappropriate here refers to both inadequate as also more than required growth of monetary order. The role of the central bank should be to establish monetary order required to push the economy to rising levels of development.

With the above broad framework, according to the author, the foremost task of a central bank in a developing country would be to decide on the permissible rate of monetary expansion. Once the rate of expansion is decided upon, the next issue would be allocation of monetary resources. According to the author "the most significant contribution of the central banking theory was an integration of the principles of selectivity with the pattern of flow of credit from the portfolio of all the lenders existing in the economic system." The Central Bank determines the composition of advance portfolio of the banking system through selective monetary management. As such there was a blending of the quantitative, qualitative and cost aspects of monetary management leading among other things to the practice of multiple interest rate policy.

integration of patterns

The problem of allocation of monetary resources involved the question of integrating the pattern of flow of credit from the banking system with the criteria of investment adopted in planning by the country. Naturally the technique of selecting priority sectors and promoting flow of credit in conformity with that selection assumed technical importance. Also, after the decision regarding allocation of monetary resources, another problem involved in promotional role of monetary management has been that of "the search for a new criterion of creditworthiness and repayment capacity." In its new role of monetary management, the orthodox canons of lending (based on liquidity and profitability of commercial bank) had to be replaced by new norms. Naturally eligibility rules underwent radical changes. The creditworthiness and repayment capacity have come to be linked with prospective series of income

streams that a borrower or a project can generate.

Another aspect was that the promotional aspect of monetary management has quite naturally tended to widen the dimension of the lender of the last resort function. The Reserve Bank of India did this through institutions established at par with itself as also by filling institutional gaps by establishing specialised financial institutions. Due to this step, the principle of selectivity found wider scope for application. Yet another aspect of promotional role was the institutionalisation and promotion of the banking sector which has been the instrument of both mobilising of savings in the community (which has assumed a vital role in the context of promotional role of monetary management) and injecting credit on priority basis into developing sectors.

Among central banking institutions in developing countries, the Reserve Bank of India has played pioneering role in evolving promotional role of monetary management. The author has done well to trace the way the promotional policy is being developed by the Reserve Bank of India and the pitfalls which it met and the way they were overcome. The student of monetary economics and of banking may find practically nothing new in this book and yet as the author has given a comprehensive review of the evolution and working of promotional role of monetary management of the Reserve Bank of India, students just initiated into the subject of monetary economics and banking will find the book useful, as an introduction to the subject.

CONQUERING HUNGER

Long ago the reviewer had occasion to review two books of Sudhir Sen—'A Richer Harvest' and 'Reaping the Green Revolution'—in glowing terms. It was, therefore, natural that his new book *Turning The Tide—Strategy to Conquer Hunger and Poverty* raised high hopes. Unfortunately the book came as a disappointment.

The author's well-known thesis may briefly be summarised as follows. In spite of acceptance of planning and planned efforts at rapid economic development since 1951, there is in India a rising tide

of poverty and hunger. Millions of Indians fondly believed that "the supply of food and other basic necessities of life would steadily increase, and be equitably distributed; that the days of extreme want and misery were finally numbered; that before long the masses of people would be assured of a living standard comfortably above the subsistence level." The author has drawn attention to the fact that by and large these hopes have remained unfulfilled. If anything, the conditions in some respects are much worse today than in early fifties and the number of absolutely poor (that is those condemned to live below the subsistence level) has been going up by leaps and bounds, as shown by numerous studies on poverty in India in recent years. What is more fearful is that "there is no sign of reversal of this alarming trend."

what was wrong ?

What is it that actually went wrong? According to the author, long answer to this question covers a wide field embracing "cold wars, hot wars, droughts, planning, population, administration, political infighting, doctrinaire economics." While all this is true, the above factors by no means provide full answer.

According to Sudhir Sen, it is the short answer which is far more to the point because it lies at the root of our misfortune and frustrated hopes. According to him, the fundamental answer to the problem of increasing poverty and hunger in the country lies in our "horrendous lack of resource-sense as reflected in the continued neglect of our land-and-water resources." The fate of India would have been different if the wealth-creating potential of these resources had been realised and properly exploited. This was beyond doubt the most grievous omission.

Though the population of the country has hit the mark of 62 crores and continues to increase at an annual rate of about 13 million, nonetheless the downward march can yet be halted, provided "we rapidly make adequate amends for the fatal default we have been guilty of on a vital front." The programme to solve the impending disaster, according to the author, will have to concentrate mainly on three fronts: (i) "Building roads and

market-towns to end the age-old isolation of India's villages and to ensure smooth inflow of inputs into farms and the outflow of their surplus." (ii) "Land reforms to defeudalise the rural economy and to establish owner-farming to the utmost possible extent which will give farmers the incentives and opportunities to maximise production." (iii) "Comprehensive public-works programme, with mobilisation of idle manpower to control erosion and conserve soil and water, to restructure the irrigation system, to reclaim land, to afforest waste land, to build roads and markets, and to carry through other similar or related activities conducive to better utilisation of land, water and human resources."

The author fervently believes that the above efforts on the three fronts will generate a new dynamism in the countryside which will greatly accelerate the revolution in India's agriculture, ensuring Indian masses freedom from hunger and tolerable living standard and life of human dignity. The present trends, dismal as they are, can still be reversed. The above programme would bring about turning of the tide.

disappointing reading

While there is nothing fundamentally wrong with the above programme suggested by the author, the reading of the book however leaves one disappointed for various reasons. For example, all that is said in this book is a rehash of what the author has already said earlier in his two books. There is not a single new idea in this book, unless it be the penetrating criticism of the 20-point programme which is exposed to be an assemblage of a number of ad hoc measures with extremely limited possibilities to tackle the long-term problem of mass poverty and unemployment.

Second, the author seems to have almost unbounded faith in new high-breed seeds which, according to the author, embody a revolution. The dream-plant (i.e. dwarf wheat) is supposed to increase output manyfold, not only per acre but also per unit of time. The author has pointed out that this new revolution is spreading to other crops, namely rice,

jawar and maze and would provide final answer to India's problem of hunger. In a book published in 1978, the author should not have written so naively in respect of these new seeds. There are two problems which have already emerged. A study team of Rockefeller Foundation has found that new pests are developing which might easily destroy crops based on these new varieties of seeds over vast areas. Does he not know that farmers in Maharashtra are refusing to sow these new varieties of seeds and are falling back on indigenous varieties? Second, these highbreed seeds involve immense use of chemical fertilisers and water.

long-term effects

It has been observed that long-term effects of such use of chemical fertilisers and water gives place to a process known as lactarization (i.e. turning of soil into rock-like substance) turning cultivable into waste land. The author's obsession with new varieties of seeds and chemical fertilisers should have been tempered by observed results of their use in certain parts of India over the last decade.

The author has rightly emphasised the importance of defeudalising the rural economy and establishing owner-farming because adequate incentives are a must, if agricultural production is to be stepped up. Without being a Marxist and purely on the basis of observation since independence in this field, one would very much doubt whether the present governmental set-up both at the centre and in states would seriously bring about this defeudalisation. Probably in no country in the world has so much noise been raised and for so long in the name of land reforms as in India and so little achieved. The author just wants this defeudalisation of rural economy but has not cared to point out how it would come about.

Lastly about the style of the author. There is nothing wrong if an economist has flair for language and writes with gusto. But he must write like an economist. The author's unending use of generalities, platitudes and cliches spread from beginning to end may please an uncritical general reader but would certainly not

appeal to the sophisticated economist reader.

EQUITABLE GROWTH

In developed as also in developing countries, fiscal policy has become an important instrument of economic policy. The manner of raising revenue and of spending it affects directly or indirectly the lives of all citizens in a country. Unlike other instruments of economic policy such as monetary policy, fiscal instruments by subtracting from or adding to purchasing power with the people directly add or reduce people's welfare. From this it follows that mishandling of fiscal instruments may produce disastrous effects on people's welfare.

H.R. Machiraju in his *Fiscal Policy For Equitable Growth—An Agenda for Fiscal Reform* has rightly insisted that in a democratic setup which India has adopted, the individual, however humble, should constitute the cornerstone of economic policy. The different aspects of fiscal policy—taxation expenditure, public debt—should all be oriented towards the goal of enabling every individual in the country to contribute his mite to national wealth and earn sufficient income that would enable him to live his life with dignity and self-respect. In fact, fiscal policy should aim at helping every individual to attain the best of which he is capable.

As regards fiscal policy followed in India, the author has contended in this book that we have not been able to get the best out of our fiscal system or instruments in terms of equitable economic growth because "there is no conceptional frame on which their use is based." The author maintains that taxation in India is mainly used as an instrument to raise revenues, whereas tax-financed expenditure mostly emphasise sophisticated skills and produce hardly any impact on the living standards of illiterate and unskilled Indians. Debt management consists "mainly of lodging over increasing amounts of government securities in a captive capital market", whereas inter-governmental fiscal relations consist of competitive pressing of claims by states on central resources to be spent

in a manner that has hardly any relevance to needs of masses.

It is in this context that the author has made an attempt to present "an agenda for the reform of our fiscal system." The fundamental thesis of this book is that "development and growth of the common or average Indian (the *daridra-narayana*) should inform all our fiscal institutions." He has contended that at present the common man is beyond the pale of our fiscal policy.

Our plans (and therefore our fiscal policy) should concentrate on the individual rather than on machines. The aim should be to enable every willing Indian to get employment and contribute according to his capacity to national product. Our experience with five-year Plans indicates that the structure of investment that the plans embody benefits mostly those who have assets or specialised skills to take advantage of opportunities opened up by the growth process. The poor and the unskilled have remained 'untouchables' under the investment pattern. The author has maintained that the emphasis on modern factory-type urban industries has restricted the benefit of growth in our economy to the urban elite and holders of property rights in the case of irrigational projects.

inappropriate process

The author has rightly maintained that the western process of industrialisation and capitalist development is thoroughly inappropriate and untenable in the present Indian context. Redistributive taxation cannot be of much help to the poor masses in India. It is rightly emphasised by the author that "It is at the investment end before income is generated that we have to think of equity and not after the income is generated." This is on account of the fact that ability to avail of the opportunities is not equal in dualistic economy. There is a hiatus between provision of opportunity and ability to avail of it in the case of the vast majority of Indians. The author wants that the problem of development be approached from the point of view of human beings, turning all people into productive agents. This would solve both problems of equitable distribution of income and producing surplus for development. This approach

to development would also help achieve social change which cannot just be brought about by purely legislative measures. "Social change and mobility can be attained by generating income among those strata of society where it assuages hunger and leaves a surplus at a later stage."

Writing about tax policy the author has drawn attention to the fact that it has a vital role to play in stimulating economic effort and encouraging extension of markets. Also the adoption of discriminatory principle in taxation, rewarding conformity to desirable patterns of economic behaviour and penalising non-conformity, should be built into the developing country's tax system.

The adoption of the provision of a minimum level of public goods would entail the acceptance of the proposition that financial resources belong to the nation and that they should be applied for producing these goods which are needed by masses.

Unfortunately as in most other fields, in the case of fiscal policy also, concepts and practices in developing countries are greatly influenced by those in developed capitalist countries. This is evident from the broad approach which India's Finance ministers, from the first to the last, brought to the problems of fiscal policy. It is still mostly operating in the narrow groove and therefore has left hardly any impact on distributional aspect. In fact among all economic instruments fiscal policy has the greatest potentiality both to do good as well as harm. It is unfortunate that in India potentiality of fiscal policy is not being fully exploited. H.R. Machiraju has brought this fact pointedly in the book and has shown how fiscal policy can be more effectively employed as an instrument of equitable growth.

POVERTY AND PLANNING

The veteran economist Prof C.N. Vakil is out with another book entitled *Poverty, Planning and Inflation*, in succession to his recently published *War Against Inflation*.

The first half of the 20th century and more so the third quarter saw extraordinary developments in all fields in India including economic. Thinking of experts on various economic issues of the times

would both show trends in contemporary thinking and the manner in which changes have been taking place in that as also the complex nature of the issues involved. A critical review of the past thinking of experts with a view to finding out both their merits and limitations and their relevance to the present times would naturally provide important guidelines for successfully tackling the present as well as future issues before the country. Prof C.N. Vakil has devoted more than 50 years of his life to thinking about and writing on various economic issues before the country. In this book he has made an attempt to bring together under one cover important articles he wrote from time to time which may broadly be taken to represent views on economic issues of a vast majority of academicians in the country, especially as Prof Vakil both as a teacher and writer has helped considerably in moulding economic thinking in the country.

the remedy

In part I of the book the author has included articles written by him in response to an enquiry from Gandhiji regarding poverty and remedial measures. These articles and replies to them by Gandhiji included here all appeared in *Young India* in 1928. These articles are indicative of the fact that discussion on poverty and remedial measures has been a continuing process during the last half a century. The articles are indicative of the immaturity of the author and lack of sophistication evident in his letter writings. For example, he had controversy with Gandhiji over the efficacy of spinning wheel. The author expressed his doubt regarding the efficacy of the spinning wheel as the only remedy for the removal of general poverty. For Vakil it was only a subsidiary occupation to be practised during spare time by farmers; but for Gandhiji the spinning wheel "was not a point in the circumference, but the centre from which can radiate innumerable other things." The author chose to differ on the issue of the spinning wheel with Gandhiji. In modern terms, when we consider the fact that per head availability of capital is extremely limited in India, that millions of people have hardly any

specialised skill and that spinning wheel hardly requires any, and that cloth is in universal demand, there appears no doubt that Gandhiji had deeper economic perception and Prof Vakil's response was that of a young and immature economist. Marx showed better understanding of the Indian situation when he wrote that spinning wheel and handloom worked by myriads of spinners and weavers were the pivots of the structure of the Indian society. In the absence of any better alternative before millions of poor and unskilled farmers, spinning wheel still offers the only means whereby he could earn some income or clothe his body.

Similarly the author's analysis of the internal causes of India's poverty is far too superficial, excepting his reference to the mental attitude of the people in the country. (For example existence of a large number of able-bodied beggars, sadhus and fakirs who are dependent on society for their general maintenance is referred to as one of the internal causes of India's poverty.) Gandhiji's replies which are included in this part of the book clearly indicate that he had deeper and more fundamental understanding of the causes of India's poverty and remedial measures than all the contemporary economists whose economic ideas were far too much moulded by western economic thinking with which they were familiar.

planning and development

The second part of the book contains technical papers on planning and development. There is for example, the author's paper on showing how managerial capacity is a limiting factor on industrial expansion; there is the well-known article on the investment pattern in the second five year Plan which proved to be a leap in the dark. There are also articles by Dr P.R. Brahmananda on perspective planning and future of planning and planning for the future. In the light of subsequent developments, it is extremely instructive to revive our memories concerning the controversy that surrounded the formulation and adoption of India's second five year Plan. This may still provide useful guidelines for future planning.

Part III of the book contains articles

which might appear rather inconsequential at present but were quite significant when they first appeared showing great perspicacity of the author as also his awareness of an academician's social responsibility. For example, the author's emphasis on formation of economic opinion in India, role of agricultural economics (which he emphasised as long ago as 1952) and the role of labour economist all indicate the author's deep understanding of the future needs and requirements of the country. If at present agricultural and labour economists in the country are having increasing opportunities of playing useful role in those vital fields, some credit is due to these path-breaking articles of Prof Vakil.

problems of inflation

Part IV contains two articles—one on the problem of inflation and the other on policy to contain inflation, it being the memorandum submitted to the prime minister in February 1974 signed by 150 academic economists on the subject. Reading the first article, one's attention is drawn to two main aspects, namely the wage-goods model and the quantity of money. While the emphasis on rapid increase of wage goods appears rational if inflation is to be contained, acceptance of the quantity theory of money at this stage appears not fully convincing. Aggregate demand in a community is a function not just of the total quantity of money with the public at any given time, but the function of the entire pattern of assets which people prefer to hold with them. This implies that it is not enough to just control quantity of money with the people; the entire asset-structure will have to be so influenced that people spend less preferring to hold different types of financial assets.

This would require manipulating the entire interest rate structure, if Radcliff is to be believed. Also at this distance of time measures contained in the memorandum to contain inflation (namely cutting down money supply by 30 per cent at one stretch, blocking partly deposit accounts, issuing of medallions and so on and so forth) appear too complicated from administrative point of view and also with certain theoretical loopholes as the problem of relative prices appears to

have been glossed over. No doubt drastic maladies require drastic remedies. But would people in a democracy accept such a measure as freezing of their bank deposits? At this distance of time the entire approach of the famous memorandum appears rather mechanical rooted in some set theories and notions. It must be realised that inflation in India is a multidimensional problem arising out of wrong attitudes, actions and policies in practically every sphere of human activity. Inflation represents symptoms of deep-rooted malady that has been afflicting the entire Indian economy. It is the outcome of general economic indiscipline and crazy attempts of people in the country to live beyond what they can produce by their own efforts. A little tinkering here or there by dragging in the quantity theory of money would not suffice to contain inflation.

Reading of this book is like traversing the route along which one had rambled long ago. We again meet with those old signposts by the roadside and wonder whether we should have taken different turns. Guides like Prof C.N. Vakil and Dr P.R. Brahmananda had warned us on the way of possible dangers ahead. Possibly, we have landed ourselves in the tangled forest appearing confused and hopeless because we did not follow their instructions. But then one is not so sure:

In a book authored by Prof C.N. Vakil only, it appears inappropriate that articles written exclusively by Gandhiji and Dr P.R. Brahmananda should find place. That their authorship is acknowledged in content and footnotes is no justification



It's polyester Khadi y'know

for their inclusion in this volume, though the apparent desire of the author appears to be to give an integrated picture of deve-

lopment of economic ideas on various contemporary issues during the last 50 years.

The farmer and his outlook

Farmer's Behaviour and Rural Development: Published by the Birla Institute of Scientific Research, Economic Division, New Delhi; Pp 21; price not given.

Reviewed by **S.P. Chopra**

THIS OCCASIONAL paper by Mr Sushil Krishan Garg, senior economist of the Economic Research Division of the Birla Institute of Scientific Research, has proffered evidence in support of the thesis that the farmer in this country is responsive to not only the price incentives but also to the changing economic conditions around him. Analysing the data for 1904-39 and 1911-38 concerning four major crops in an earlier study, the author had come to the conclusion that "the Indian farmers have traditionally been very sensitive to the prevailing weather as well as market conditions so that they knew how to combat an agricultural adversity and maximise their gains in such circumstances". Putting together the findings of various studies in the post-Independence years, Mr Garg has re-emphasised the tendency of the Indian farmers to be responsive to changes around them and that "the farmers are likely to respond positively to an adequate programme of incentives which guarantees at least a sub-

sistence income". The paper thus stresses the motivational aspect of the mental outlook of the Indian farmer. While the author has relied largely on statistical studies to explode the myth that "the Indian farmers are not responsive to changing economic conditions", there is ample evidence to support his thesis in the data relating to the increasing country-wide consumption of high-yielding varieties of seeds, fertilizers, pesticides and implements and the farmers opting for the crop which gives the highest return on each hectare of land. And there can be little disagreement with the author when he suggests that there is the need for "schemes for widening the net of irrigation systems and roads, providing education and medical facilities, making available improved varieties of seeds in adequate quantities and reasonable prices, investing the required resources in designing appropriate agricultural technology in the form of implements and so on".

Books received

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Poverty, Planning & Inflation: C.N. Vakil; Allied Publishers Private Ltd, Post Box No. 155, New Delhi; Pp 308; Price Rs 70.

The President and the Parliament: R.N. Misra; Vora & Co Publishers Pvt. Ltd. 3, Round Bldg, Bombay-400002; Pp 112; Price Rs 30.

India's Export Strategy: P.N. Agarwala; Vikas Publishing House Pvt. Ltd, New Delhi; Pp 384; Price Rs 65.

Soviet Economic Development and Structure: Vinod Mehta; Sterling Publi-

shers Pvt. Ltd, AB/9 Safdarjang Enclave, New Delhi-16; Pp 458; Price Rs 75.

Socialist Thought in India: M. Arumugam; Sterling Publishers Pvt. Ltd, New Delhi-16; Pp 166; Price Rs 35.

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Turning the Tide: Sudhir Sen; the Macmillan Co. of India, New Delhi; Pp 195; Price Rs 45.

India in Perspective, Vol. I: D.N. Basu; Arnold-Heinemann Publishers, AB/9 Safdarjang Enclave, New Delhi-16; Pp 263; Price Rs 50.

India in Perspective, Vol. II: A. Lahiri

and R. Nagarajan; Arnold Heinemann Publishers, AB/9 Safdarjang Enclave, New Delhi-16; Pp 306; Price Rs 50.

G.L. Mehta Memorial Lectures: N.A. Palkhivala, A.K. Das Gupta, R.S. Bhatt, and T.S. Gopal; Institute of Financial Management and Research, Madras-34; Pp 76; Price Rs 15.

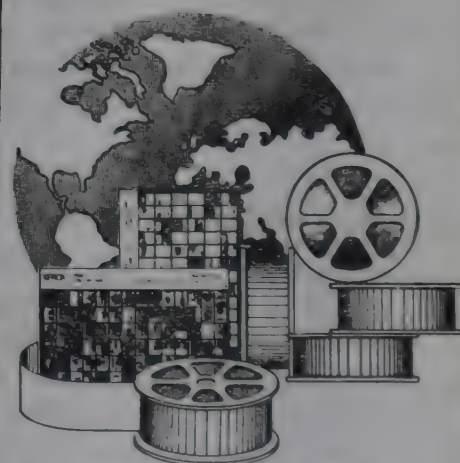
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Dynamics of Social Change: Chandra Shekhar; Popular Prakashan, Bombay; Pp 182; Price Rs 40.

Agrarian Unrest in North India (United Provinces, 1918-22): M.H. Siddiqi; Vikas Publishing House Pvt. Ltd, New Delhi; Pp 247; Price Rs 60.

Studies in Indian Public Finance: G. Thimmaiah; Kalyani Publishers, 23 Daryaganj, New Delhi-2; Pp 111; Price Rs 27.

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TRADE WINDS

Sickness in Industry

THE ENGINEERING industry in the country has the maximum number of sick units totalling 91 with bank dues of Rs 252 crores. West Bengal is the most affected state with 70 sick units with a financial assistance from banks at Rs 179 crores. In all, there were 270 sick units in the country with a total bank credit of Rs 774 crores as of September, 1977. Each of these units had credit limits of Rs one crore and above from the banking system.

These are some of the findings of the special cells set up by the financing banks as desired by the Reserve Bank to monitor the performance of the sick industrial undertakings.

Textiles' Troubles

Following the engineering industry, the next worst hit industry is textiles with 68 units having bank finance of Rs 230 crores, jute with 29 units (Rs 24 crores), sugar with 23 units (Rs 33 crores), chemicals with 15 units (Rs 79 crores), rubber with four units (Rs 20 crores) and cement with three units (Rs 11 crores).

Among the states, West Bengal is followed by Maharashtra with 61 units with a financial assistance of Rs 179 crores.

According to the banks' survey, the problem of sickness is not confined to medium and large industrial units only. There are 8,000 sick small units with about Rs 200 crores

of bank funds sunk in, the major reasons for sickness being technical incompetence, decline in demand for their products from their 'mother' units and inexperienced management.

The major reasons for bigger units falling sick are: mismanagement, power shortage, out-moded machinery and deficiency of demand. These problems have been aggravated by the uncertain supplies of raws materials, mis-calculation of demand, shortage of raw materials and spare parts.

With such a huge burden of Rs 774 crores, having to be shouldered by banks, they are confronted with the task of salvaging the situation through various steps like seeking changes in the managements of sick units, monitoring of the rehabilitation programmes and bringing about a better co-ordination between various banks, the government and other institutions.

Output of I.D. Public Enterprises

The total production by public sector undertakings under the control of the department of Industrial Development during the first two months of the current financial year was of the value of Rs 19.19 crores, marking an increase of 5.6 per cent over the output valued at Rs 18.16 crores in the corresponding period last year.

The undertakings mainly responsible for higher value of

production during April-May 1978 than in the same period last year were the Cement Corporation of India (13.6 per cent), Instrumentation Limited (19.7 per cent), Hindustan Cables Limited (5.5 per cent), National Instruments Limited (8.5 per cent), Hindustan Photo Films (8.6 per cent) and Artificial Limbs Manufacturing Corporation (44.6 per cent). The output in May, 1978 alone was of the value of Rs. 9.38 crores showing an increase of about four per cent over the production valued at Rs. 9.02 crores during the corresponding month last year.

Mandays Lost Through Labour Unrest

The number of mandays lost due to strikes and lock-outs during the first three months of 1978 was 2.54 million (provisional) against 2.47 million in 1977. Besides this, some cases of unrest related to gheraos which had increased with the change of the government. However, when it was made absolutely clear by the government that it would not recognise any agreement under gheraos or duress as valid, the number of gheraos started decreasing.

Though the number of mandays lost due to strikes and lock-outs has increased to 21.21 million (provisional) in 1977 (10.54 million due to strikes and 10.68 million due to lockouts) from 12.75 million in 1976 (2.80 million due to strikes and 9.95 million due to lock-outs) when the emergency was continuing, the industrial relations climate was not alarming, according to Labour ministry sources.

The number of mandays lost due to strikes in 1977 has been the lowest during the decade except 1976 when basic human rights were suspended. How-

ever, the mandays lost due to lock-outs during the year had been the highest.

IDA Takes over IBM

A new company named International Data Management (P) Ltd (IDM) has taken over a part of the IBM business relating to data centres and manufacture of cards.

IBM which had announced its decision to leave the country instead of complying with FERA regulation finally wound up its activities on May 31, 1978. IBM had four types of activities in the country: (i) manufacture of data processing machines and computers, (ii) maintenance of such machines and computers; (iii) manufacture of cards and (iv) data centre service. Maintenance of machines and computers will

Government Loans Fully Subscribed

Three government of India loans for a total of Rs 400 crores which opened for subscription on July 1 were closed the same day on their being fully subscribed. The Reserve Bank of India announced that all subscribers would receive full allotment.

now be done by a public sector company.

A band of senior managers and experts, who were with IBM, have formed a new company, IDM, and have taken over the IBM activities regarding the manufacture of cards and data centre service.

This is a novel experiment for the country. About 180 ex-IBM professionals and managers having experience of seven to 20 years in his field have joined hands, subscribed the entire capital of the new company and have taken over this

two-fold activity. Every employee of the new company is its shareholder. This is the first company in the employee sector.

Unit Trust's Special Offer

Sale of units which had been suspended by Unit Trust of India from June 5, 1978 for the purpose of annual closing of its accounts, was resumed from July 1. Units will be available for sale at the special price of Rs 11.25 per unit throughout the month of July. It is customary for the Trust to sell units at a special concessional price at the beginning of its accounting year. This special price will operate only till July 31, 1978. Thereafter, the normal pricing policy of the Trust will apply. There will be no repurchases of units under the unit scheme 1964 during this period. However, repurchases under unit scheme 1971 will continue as usual. While sale of capital units under unit scheme 1976 remains suspended, repurchases will continue as usual.

ITI Unit's Expansion Plan

The Rae Bareilly unit of the ITI plans to manufacture automatic telephone exchange equipment with a capacity of 50,000 lines during the current financial year. According to an official spokesman, from next year the capacity would be increased to one lakh lines. The factory, which was scheduled to start production during the financial year 1978-79, went into action several months ahead of schedule and by the end of the last financial year it had already delivered telephone exchange equipment worth about Rs 3.60 crores to the Post and Telegraph department. The capacity for the equipment

manufactured during the period was 18,000 lines.

The equipment manufactured at the factory, so far, have been sent to about 100 telephone exchanges in the country. Major part of the factory has been installed with the help of indigenous technological know-how and out of a total of 1066 machines installed at the factory only 138 have been imported. Over Rs 113 million has already been spent for the establishment of the factory and about Rs 50 million is likely to be spent during the current year. Its total cost of installations is estimated at about Rs 189 million. However, production at the factory, employing about 2,300 workers, has been adversely affected due to irregular power supply.

GIIC Phenol Project

The technical collaboration agreements for Rs 14 crore phenol project of GIIC have been signed with Messers Stamicarbon Bv—a subsidiary of DSM, a Dutch government undertaking—for the import of technical know-how as well as for obtaining basic engineering and other technical facilities from Krebs and Cie, S.A., Paris. The process owners have a plant in Holland to produce 140,000 tonnes per annum of phenol and they are expanding this capacity by additional 100,000 tonnes per annum.

MSFC's Loans at Record High

Loan sanctioned by the Maharashtra State Financial Corporation during 1977-78 at Rs 27.56 crores were the highest ever for any one year in the history of the corporation. The disbursement during the year was Rs 18.07 crore. The profits of the corporation during the year rose from

Rs 2.05 crores to Rs 2.61 crores, the reserve went up by Rs 1.61 crores to Rs 5.08 crores and recoveries were effected up to 70 per cent.

Aid to Small Sector

Mr Homi J.H. Taleyarkhan, chairman of the corporation, said recently that since the inception of the corporation up to the first quarter of 1978-79, it had assisted nearly 13,000 units with loans aggregating Rs 190 crores. About 250 new units had been assisted in the first quarter of this year with the estimated sanction of loans at about Rs 3.50 crores against Rs 2.99 crores in the same period last year. MSFC assistance was mainly to small unit with 90 per cent of all assisted units comprising small units. 85 per cent of its loans were up to Rs 2 lakhs, 10 per cent between Rs 2 lakhs and Rs 5 lakhs and only five per cent were above Rs 5 lakhs.

The corporation's emphasis on the developing regions has been shown by the fact that of the total units assisted up to March 31, 1978, nearly 9,000 were in these regions. The corporation assisted 25 different industries both traditional and non-traditional and since its inception had created an employment potential of about 180,000.

The pioneering conference organised by MSFC of banks and SFCs to bring greater co-ordination between them had yielded satisfactory results, the most important being the simultaneous processing of the working capital needs of those borrowing from the banks and term loans by SFCs.

The corporation had decentralised its operations with loans and disbursements up to Rs 2 lakhs being made at the level of the regional offices.

The newly opened branch offices in Ratnagiri and Akola covering the four districts of Vidarbha would sanction and disburse loans up to Rs 50,000.

The union territory of Goa, Daman and Diu, which came under the jurisdiction of the corporation, gave an outstanding performance in 1977-78, exceeding its targets in sanctions and disbursement and being the best in recoveries among all regions.

Pepper Output

Pepper production in India in 1977 was 40,000 tonnes, 25 per cent more than the previous year. Of this, a quantity of 25,653 tonnes valued at over Rs 51.20 crores were exported against Rs 28.50 crores in 1976, revealed. Mr T. Tharanath Shet, president, India Pepper Spice Trade Association, while addressing 18th annual general meeting of the association.

Alloy Steels Plant's Performance

The Alloy Steels Plant, Durgapur, has set an all-time record in the production and despatch of ingot and saleable steel during 1977-78. The plant produced 48,820 tonnes of saleable steel during the year, indicating 106 per cent fulfilment of the yearly target of 46,110 tonnes, as against 94.1 per cent target fulfilment during 1976-77. The despatch of 46,060 tonnes excluding spade ingot despatch as targeted, amounted to total sales worth Rs 54 crores which exceeded the previous year's record value of the sales.

The plant produced 97,239 tonnes of ingot during the year, with 97 per cent capacity utilisation and growth rate of 2.6 per cent over the previous year's production. By despatching 6,564 tonnes of stain-

less steel sheets and plates, the plant exceeded its despatch target by more than eight per cent.

Record Sugar Production

Sugar production during the first eight months of the season has crossed a record level of six million tonnes. This compares with 4.74 million tonnes produced during the corresponding period in 1976-77, according to Indian Sugar Mills Association. Total despatches in the first eight months in 1977-78 were 29.41 lakh tonnes—29.22 lakh tonnes for internal consumption and 19,000 tonnes for exports—against 27.74 lakh tonnes during the corresponding period last year—24.33 lakh tonnes for internal consumption and 3.41 lakh tonnes for exports.

New Companies Registered in March

Three hundred and thirty companies were registered in the country under the Companies Act, 1956 during March, 1978 as compared to 224 in the previous month. Of these 330 companies, 326 were limited by shares, and four were limited by guarantee. The total authorised capital of the 326 companies limited by shares amounted to Rs 1047.39 crores.

Of the 326 companies limited by shares, 14 were government companies, comprising seven private limited and seven public limited ones with an authorised capital of Rs 1005.10 crores and Rs 19.45 crores respectively. The remaining 312 companies were non-government companies. Of these non-government companies, 23 were public limited and 289 were private limited with an authorised

capital of Rs 7.02 crores and Rs 15.82 crores respectively.

Of the companies limited by shares registered during the month, the largest number viz., 171 fell under the broad industrial group of "Processing & Manufacture". The highest number of new registrations viz., 91 were reported from the state of Maharashtra followed by West Bengal and Delhi with 45 and 40 respectively.

Licences Issued in May

The ministry of Industry issued 26 licences and 52 letters of intent during the month of May 1978. Changes were effected in the ownership of five undertakings, while 15 licences and registration certificates were revoked or cancelled under the provisions of the Industries (Development and Regulation) Act, 1951. Twenty-two letters of intent were either cancelled or lapsed.

The items for the manufacture of which the licences were issued included closed die steel forgings, microwave tubes, ball bearings, plastic blow moulded containers, metallic bellows, oxygen gas, sulphuric acid, clonidine Hcl, silk tops, speciality paper, sugar, skimmed/whole milk powder, cotton seed oil, EI tanned sheep skins and finished leather.

Cardamom Export Trebled

During 1977-78 the cardamom industry in the country registered an all-time record in production, exports and unit value earnings. The value of cardamom exports in 1977-78 more than trebled the exports during 1976-77 and more than doubled the previous record annual export earnings during 1975-76. Cardamom worth Rs 463.6 million was exported during 1977-78 as compared to

Rs 140.3 million in 1976-77 and Rs 193.8 million in 1975-76.

The unit value export realisation in 1977-78 was Rs 175.28 per kg as compared with Rs 157.17 per kg in 1976-77 and Rs 99.88 per kg in 1975-76. In quantitative terms also, the exports of cardamom during 1977-78 were the highest at 2,645 tonnes. The total production in the country during 1977-78 is estimated at 3,800 tonnes while the internal consumption is of the order of 1,200 tonnes only and the balance quantity of 2,600 tonnes has been available for export.

The main importing countries of Indian cardamom are Kuwait, Saudi Arabia, the USSR, Japan, GDR and Bahrain Islands. Kuwait topped the list of importers in 1976-77 with imports worth Rs 55.4 million, followed by Saudi Arabia (Rs 22.3 million), the USSR (Rs 20.3 million) and Japan (Rs 10.6 million).

A breakthrough has also been achieved in the export of

cardamom oil. During 1977-78 exports worth Rs 1.05 million of 477 kg of cardamom oil were made. The export price of cardamom oil ranged from Rs 2,000 to Rs 2,800 per kg. The USA, France, GDR and Switzerland are the main countries importing cardamom oil from India.

India Supports CIRDAP

The government has decided to support the establishment of a Centre for Integrated Rural Development for Asia and the Pacific (CIRDAP) in Comilla in Bangladesh and also to become a member of that centre. This decision was communicated to the Bangladesh Agriculture minister, Mr Aziz-Huq, when he called on the minister for Agriculture and Irrigation, Mr Suriit Singh Barnala recently.

During the discussions, Mr Huq apprised Mr Barnala of the background of the proposal culminating in the Asian groups' decision to locate the centre in Bangladesh.

Mr Barnala explained to Mr

Fifth Gold Auction

The value of gold awarded in a single gold auction crossed Rs 10 crores for the first time in the Reserve Bank's fifth auction sale, held on June 28. The results of the sale showed that over 1.6 tonnes—the largest amount so far—had been awarded to 1,193 successful bidders—again the largest number—at prices ranging from Rs 641-661 per 10 grammes.

The value of this award amounts to Rs 10.47 crores, bringing the total amount received by the government in the five auction sales to over Rs 40.63 crores for a total quantity of nearly 6.32 tonnes of gold.

The number of bids received for the auction which went up from mere 429 for the first—held on May 3—to 1,598 for the fourth—held on June 14—dropped to 1,369 for the fifth despite the RBI's relaxations permitting goldsmiths' association and and batches of five small dealers to send tenders, and reducing the minimum and maximum quantities for the bids from one kg and five kg to 500 gm and 2.5 kg respectively.

Has the long and rich experience India possesses in the field of rural development. He mentioned that India would like to share its experience and expertise in the field with other countries of the region. He referred to the role that was being played by the National Institute of Rural Development (NIRD), Hyderabad, in this country, and also in training a number of persons from other developing countries. NIRD, therefore, could become the National Institute for Integrated Rural Development Centre having linkage with CIRDAP.

India-International Trade Fair

An India International Trade Fair 1979 is being organised by the government of India from November 10 to December 1979. The fair will have all the necessary infrastructural facilities to be provided by the Trade Fair Authority (TFA) at the Pragti Maidan complex, in an area measuring 192,000 sq. metres. They will include banks, guides and interpreters, post office, restaurant, telephone etc.

TFA will also arrange for duty-free import of exhibits as temporary import, subject to re-export within six months. The fair is organised to promote trade and economic relations between India and other countries. The vast strides made by this country in ushering a technological revolution will be a prominent feature of the fair which will cover broadly all aspects of industry, agriculture and trade. As many as 50 foreign governments and 3,000 companies in the organised sector are expected to participate in the Fair. The fair is expected to draw over

five million visitors including businessmen from abroad.

Indo-Afghan Trade and Payments Agreement

India and Afghanistan signed in Kabul on June 24, a new Trade and Payments Agreement which provides for trade between the two countries in free convertible currency. This agreement replaces the one signed between the two countries in September, 1975 and which is scheduled to expire in September, 1978.

The new agreement does away with the modified system of barter trade agreed to by the two countries in 1975 under which imports from Afghanistan were counter balanced by exports from India. Trade under this system was to be in rupee currency.

The agreement provides for trade in free convertible currency and trade flow between the two countries will be permitted to find its level based on supply and demand as well as competitiveness in their respective markets.

World Bank Loan for Malaysia

Some 7,700 poor families in Malaysia will benefit from a land settlement project to be supported with a \$28 million from the World Bank. The \$92.3 million project, which will cover 72,500 acres in the states of Pahang and Negri Sembilan in peninsular Malaysia, will finance the cost of developing a minimum 62,000 acres of rubber, up to 10,000 acres of cocoa in a pilot project and some 500 acres of experimental plantings of annual crops. Cocoa has been included in the project in an effort to diversify agricultural production. The project also includes ancillary roads, settler and staff housing and

basic education, health and community service facilities. At full development, the project will result in annual production of 42,000 tonnes of rubber and 4,800 tonnes of cocoa. The entire production is for export.

About 6,200 families will be settled in the rubber area while some 1,500 families will be settled in the cocoa area. The total number of people settled will be 29,000. The incomes of the settler families, with incomes below the national poverty level, will increase after 13 years from \$80 to \$2,200 for rubber planters who form the bulk of the settlers. Some 8,000 permanent jobs and an equal number of jobs in land clearing will result from the project.

IDA Credit for Sri Lanka

The International Development Association (IDA), an affiliate of the World Bank, has announced the approval of two credits totalling \$25.5 million to help finance tree crop development in Sri Lanka.

A credit of \$21 million will

assist Sri Lanka in improving the economic efficiency of the tea industry by lowering production costs and improving the quality of tea. The other IDA credit of \$4.5 million will support Sri Lanka's programme to rehabilitate, diversify and settle degraded mid-country lands. The project consists of the diversification of about 11,500 hectares of marginal tea land, scrub land, or degraded forest and the settlement of about 4,500 landless families on newly established small farms.

Rs 8 crores Methanol Project

The eight crore rupees methanol project being promoted by Gujarat Industrial Investment Corporation has been accorded clearance by government of India. The contracts for import of technical know-how, drawings and designs, documentation, erection and commissioning with Messrs Imperial Chemical Industries (UK), and the engineering details from Messrs Linde of the Federal Republic of Germany have been signed by GIIC. The total cost of capital equipment

Interest rates : some comparisons

International Finance issued bi-weekly by the Economic Group of the Chase Manhattan Bank for corporate customers and correspondent banks has in its June 26, 1978, issue given interest rates of some developed countries as on June 21. The comparisons are interesting. Britain's Central Bank discount rate is the highest among these countries at 10 per cent whereas Switzerland's stands at one per cent. USA's Central Bank discount rate is 7 per cent, Canada's 8.50 per cent, France's 9.50 per cent. Next lowest to the Swiss rate comes that of West Germany at three per cent whereas across the border in Italy it is 11.50 per cent (penalty rate 14.50 per cent). Similarly, day-to-day money rate in Switzerland is nominal at 0.625 per cent whereas in Britain it is 10.25 and in Italy 11.50 per cent.

of the project has been estimated at Rs 4.85 crores including indigenous and imported plant and machinery.

At full capacity of 20,000 tonnes per annum in the third year of commercial production, the project will have an ex-factory product pattern of Rs 6 crores per annum directly replacing imports of Rs 9.46 crores. Against this, the total outflow of foreign exchange in setting up the project including cost of some quantities of catalysts has been estimated at about Rs 1.73 crores. Thus, the project will save substantial foreign exchange for the country.

To effect saving on the capital costs, the project would be based on synthetic gas and set up as an adjunct to the fertilizer complex now under implementation by Gujarat Narmada Valley Fertilizer Company.

COMECON Nations' Incomes Rise

The national incomes of the members of the COMECON grew by 12 per cent, industrial production by 12.4 per cent, and the population's real per capita incomes by more than eight per cent in 1976-77, noted the Soviet premier, Alexei Kosygin in his speech at the 32nd session of COMECON on June 29. The preliminary results of the first six months of the current year are also in the main favourable, Mr Kosygin said.

Speaking of the expansion of trade among the member-countries, the Soviet premier and head of the Soviet delegation at the session said that: "In 1977 our trade exchanges reached 91,000 million transferable roubles. This impressive figure reflects the deepen-

ing of national economic ties among the member-countries on the basis of the development of specialisation and co-operation in the matter of material production."

ICC on World Economic Growth

Mr Carl-Henrik Winquist, secretary general of the International Chamber of Commerce, has said in Paris recently, that economic growth was not likely to improve in the industrial countries. He said a quarterly survey of business opinion carried out by the ICC showed that companies member countries were fairly optimistic about short-term prospects. But the survey showed that in regard to the long term outlook, 50 per cent of the companies questioned did not foresee any changes in their situation, while 20 per cent anticipated a worsening and 29 per cent an improvement.

Mr Winquist said in order to meet the current recession, industrial countries had to develop new growth models and adjust their industrial structures. He said protectionist measures and export subsidies were no longer geared to meet a payments deficit but to maintain employment in national industries which no longer were competitive. This reflected a refusal by governments to adjust to the emergence of competitive industries in other countries.

World Bank-IFAD Cooperation

Mr Robert McNamara, president of the World Bank, and Mr Abdelmuhsin M. Al-Sudeary, president of the International Fund for Agricultural Development (IFAD), have signed a cooperation agreement which provides for

close cooperation between the two United Nations specialized agencies in such areas as identification, preparation, appraisal and administration of agricultural development projects leading to cofinancing or financing exclusively by IFAD. The two organizations will coordinate their activities to maximise their impact for the benefit of the rural populations in the Third World.

IFAD, the 114 member states' \$1 billion fund, was established last December as the newest United Nations

specialized agency with provisional headquarters in Rome, with \$567.3 million contributed by OECD countries, \$435.5 million by OPEC developing countries and \$19.3 million by developing recipient countries. The Fund's essential objective is to finance projects designed to increase food production in the poorest food deficit countries, to improve nutritional standards in rural areas, to raise the income of small farmers and landless labourers, and to alleviate the condition of their lives.

Names in the News

Mr Sanjoy Sen has been re-elected president of the Indian Leather Technologists Association. The association represents India in the International Union of Leather Technologists and Chemists Societies.

Mr Vinay Kumar Modi has been elected vice-president of All India Rubber Industries Association for

chairman and managing director of Modi Rubber Limited and managing director of Modi Industries Limited.

Mr D.C. Gami, managing director, Gujarat State Fertiliser Co, Baroda has been re-elected chairman of the western regional committee of the Fertiliser Association of India, for the year 1978-79.

Mr D. R. Gandotra has been re-appointed as chairman of The New Bank of India Ltd. for a further period of three years with effect from August 1, 1978, to July 31, 1981. Mr Gandotra has 38 years of banking experience to his credit. Under his chairmanship, the deposits of the bank which stood at Rs 114 crores in August, 1975 reached Rs 276.79 crores and the number of branches has grown from 179 to 342.



Mr V. K. Modi

the year 1978-79. Mr Modi is associated with the Modi group of industries and is a director of various companies. He is also vice-

Mr R.S. Jolly is the new chief of ITDC's hotels division which controls operations of the national chain of 36 hotels, beach resorts and lodges.

Alembic Glass Industries Limited

Speech of Shri R. B. Amin, Chairman, at the 33rd Annual General Meeting of Alembic Glass Industries Ltd, Baroda Monday, 26th June, 1978.

Ladies and gentlemen,

I have pleasure in welcoming you all to the 33rd Annual General Meeting of the Company.

The Accounts for the year ending 31st December, 1977 and the Directors' Report have been sent to you in advance and with your permission, I shall take them as read.

Production and sales of your company continued their upward trend in 1977. We achieved a turnover of Rs. 9.36 crores in 1977 as against Rs. 8.24 crores in 1976—a rise of 13.6 per cent. A significant part of this increase has resulted from higher sales of bottles at the same time pressed ware sales also recorded a healthy increase. The marketing situation continued to be extremely competitive throughout the year and against this perspective, the overall sales performance can be regarded as satisfactory.

Efforts for higher efficiency and better utilisation of machines continued and contributed to raising the levels of production during 1977. Costs have been rising in all major inputs but the problems of

energy inputs have been causing considerable anxiety to us, both at Baroda and at Bangalore.

You will recall the initiative your Company took more than ten years ago in obtaining supplies of natural gas from the Oil and Natural Gas Commission. We were among the first to persuade ONGC to put the commercial use this valuable national resource, with was then being flared away at the Ankleshwar oil fields. As soon as the term of the V.K.R.V. Rao award was over, the worst features of monopolistic behaviour came to be displayed by ONGC. Particularly since 1975, your Company, along with other units which have entered into contracts with ONGC, have been faced with drastic increases in the price of gas as well as repeated prospects of supplies being cut off altogether. The same events were repeated towards the end of 1977. Your Company, along with the other users and the Federation of Gujarat Mills and Industries, took the matter up with the Commission and the Central Government.

We recorded our protest at the one-sided and negative manner in which this matter was being handled. Eventually, we were assured supplies up to March, 1979 and the price is now raised to the exorbitant sum Rs. 504 per 1000 cubic metres from Rs. 93 within the past two and a half years.

You will appreciate that gas consumers in Gujarat should have received a more positive and forthcoming approach from ONGC. The question of uncertainty of supply should not now arise because of the supplies which are now available from the Bombay High. We should also expect that the same urgency and efficiency which were seen in laying the pipelines to Urban would be shown in extending the supply lines to the Gujarat region, so that gas becomes available before March, 1979. Government should now act fast to establish a gas grid for the Western Zone so that industries in this area do not suffer and stagnate for want of adequate supplies of fuel at reasonable prices. We would also expect them to be much more forthcoming about their

programmes and progress regarding the laying of pipelines from the Bombay High to Gujarat and the linking up of various sources of supply to establish a gas grid in the region. This is a matter of national importance and it is necessary that the organisations related to it are open and communicative to the maximum extent. Only then will they be able to cast off the impression they have so far created of being self-centred, monolithic and monopolistic.

The coal crisis which we are now undergoing underlines the need to revise the approach which has been adopted so far. It is counter productive and uneconomic for a region like Baroda to depend on coal supplies from sources hundreds of miles away when super-abundant supplies of gas are available at our own doorstep. It is equally important to ensure that the price of gas does include a significant element of advantage on account of nearness to the sources of supplies. To illustrate, steam coal which costs about Rs. 150 per ton in Baroda costs about Rs. 75 in the states where the mines are located. A similar price advantage should accrue to users of gas in this region and gas prices should not be exorbitantly loaded. Prices and other terms of contract should remain stable for sufficiently long periods, at least for ten years. We would urge Government and ONGC to keep all these perspectives in view while dealing with supply of gas to industries in the Western region.

Our Bangalore unit also has been going through a difficult spell because of drastic power cuts and increase in power rates. We represented to the authorities in this regard and

We are happy to report that some relief has now been given in respect to both these problems. This will help your company to increase its contribution to industrial production in Karnataka and for the country.

In my address to you last year. I had referred to the need to bring down the rates of excise duties on glass articles. Unfortunately, in the budget of 1978-79 a surcharge of 5% is levied on the already high levy of 30% ad valorem on bottles, pressed wares and packaging materials. This is punitively high taxation and at this level, it puts consumer goods beyond the reach of the many and cuts into the sustained growth of production. One should not exceed the rate of 10% in excise on consumer goods like glass articles. If this

is done, a larger part of our population, particularly in the villages, would be able to buy them. The resultant increase in production would also be progressive enough to give a sustained buoyancy to the overall yield of revenue to Government from this source. We hope that Government will now be able to go into this question and besides immediately reducing the rates of excise, take steps towards establishing a tax on added value in the place of excise.

You may note that 1979 and 1980 are proposed to be the two years during which fixed deposits with all companies would have to run down to the revised lower levels. This will involve some avoidable strain on affected companies with regard to adjustment of working funds. The intention behind

the measure is to safeguard depositors' interest, particularly in companies with unsatisfactory performances and prospects. If this is to be achieved, we should not have a blanket measure equally affecting all companies. Companies with a good record of overall performance, payment of dividends and interest charges, repayment of deposits etc., should be totally exempted from the operation of this regulatory measure. One would also like to urge that policies and procedures which affect the pattern and structure of corporate finance should be kept stable and uniform over longer periods of time and not changed too frequently.

Your Company increased its exports from Rs. 15.70 lakhs in 1976 to Rs. 27.26 lakhs during last year. For the fourth year

in succession, your Company received an Award and Certificate of Merit from the Chemicals and Allied Products Export Promotion Council.

Before ending my statement, I would like to record my appreciation of the efforts made, during the year under review, by our managers as well as the staff and workers at Baroda as well as at Bangalore. I also thank my colleagues on the Board for their advice and co-operation.

I now commend, for your consideration, the Annual Accounts of the Company and the Directors' Report.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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SOUTH INDIA VISCOSE LIMITED

Speech of the Chairman,

Sri R. Venkataswamy Naidu

delivered at the 20th Annual General Meeting
of the Company, held on Wednesday, the 28th June 1978
at 10.30 a.m. at the Regd. Office of the Company,
Shanmuga Manram, Race Course, Coimbatore-641 018.



Ladies and Gentlemen,

It is with great pleasure I welcome you all for the 20th Annual General Meeting of the Company.

At the outset, it is with profound grief, I must inform that the Company lost one of its Promoters, Sri V. Rangaswamy Naidu. He was associated with our Company from its inception and had been guiding in all its developments and growth. His loss was an irreparable one to the Company. The Company also lost two of its Directors, Sri R.K. Kandaswamy Chettiar and Sri T.K. Sivasamban, whose rich experience and knowledge always helped your Company. I wish to place on record the valuable services rendered by Sri V. Rangaswamy Naidu, Sri R.K. Kandaswamy Chettiar and Sri T.K. Sivasamban.

The new Union Government has completed one year of Office and has launched several programmes for the upliftment of down-trodden people in our country. You are all aware that 80 per cent of our population still live in villages and unless the economy of village sector is improved and the employment potential in that sector is fully geared to the national development, our desired object of balanced national growth would not be achieved. So, with this object in view, Government is formulating several projects like irrigation, growth of small scale industries



Sri R. Venkataswamy Naidu

particularly in rural areas and also provide a lot of incentives to establish big industries in the rural areas for rural development.

The government of India desires that big industries should come out for adopting villages for full employment of the population in the villages and make the places prosperous. In consonance with the policy of the government, the Management has decided to alter the object clauses in the Memorandum of Association of the Company with specific powers so as to enable the Company to adopt backward villages for the purpose of improving the social and economic status of the people in the rural areas. The Board of Directors have already considered this subject and have placed the matter before you for consideration.

The need of the hour is the

formation of many industries—big, small and cottage industries. Big industries produce on a mass scale the basic industrial raw-materials required for small scale industries and in return, small scale industries also supply various components and services required for the big industries. Cottage industries on the other hand are job oriented with involvement of large human labour. Hence, it would be seen that these industries, big, small and cottage industries do not compete with each other, but, on the other hand, they are complementary to each other.

For instance, our Company is in a big way producing Pulp, Rayon and Staple Fibre supplying to various small scale and cottage industries while there are many small scale industries supplying many consumable and maintenance items to the Company. In fact big industries breed small industries.

Even in the well industrially developed Western countries and Japan, both big and small scale industries flourish side by side. It is my view that all the industries either big, small or cottage, which are complementary to each other are essential for our country, for a balanced growth and employment, so as to have the impact of various planned development in rural areas.

We have seen that only with the industrial growth, we can bring about higher standard of

living. Hence, it becomes necessary to have the power projects on priority basis for generation of power and continuous supply all over the country, so as to bring the desired industrial growth and in this connection, I wish to congratulate our Honourable Energy Minister, Sri P. Ramachandran, who has taken up in a big way both thermal and hydro electric systems to augment supply and generation of power and also streamline the existing efficient running of power generation and supplies.

You all would have noticed that the government of India has decided to participate in the capital structure of the State Electricity Boards, which would ultimately improve the efficiency of the working of the Electricity Boards. This is indeed a welcome measure and hasten the process of development of national grid and application of uniform power rates all over the country.

At the same time, we are all aware that we cannot depend indefinitely on the present day energy sources—fossil fuels and Nuclear Power. The supplies of oil, natural gas and Uranium are limited and rapidly becoming very demanding on capital and higher in price, as the readily exploited deposits are depleting day-by-day. More than this, repeated and expanded use of these fuels would worsen the environmental and ecological deterioration, pollut-

ing air, water, atmosphere, etc., and create a lot of problems and in the case of Nuclear Power, it might create new and unmanageable hazards. It has now been realised as inevitable when future energy supplies must be renewable and less harmful to the environment.

On account of the various constraints that come across for the generation and supply of power the industrially developed countries are actively pursuing the utilisation of solar energy, which I am sure our Minister is also looking for power development.

I am glad to know that negotiations are taking place between the Central Government and the Government of Tamil Nadu and Kerala for utilising the West flowing rivers for irrigation, generation of power by diverting them. It is hoped that fruitful results would be forthcoming.

LABOUR:

Coming to the affairs of the Company, besides power cut, a regular phenomenon of every year, the strike by the workers in the beginning of the year for nearly two months affected our production and consequently our turnover. The company has entered into a settlement with the workers giving long term benefits and increase in emoluments and we are having very cordial relations.

SAFETY:

I am happy to inform you that safety measures are fully employed in our Factory and there has been no major accidents in our Factory. In fact, your Company got the National Safety Award from the President of India for the longest accident free period during the recent function held at New Delhi. I wish to compliment the employees at various

levels for the award we have received.

PULP PLANT EXPANSION:

I am extremely happy to inform you that the third and final phase of the Pulp Plant Expansion would be ready very soon and the Company would be achieving the doubling of the production capacity of the Pulp Plant within a recorded time. Thanks to the coordination and co-operation of our Collaborators and various other indigenous manufacturers and suppliers. The Pulp Plant was stopped during this year for nearly two months to synchronise with the completion and commissioning of the third and final stage of the Pulp Plant Expansion.

"Your Company has been paying a close attention to the effluent treatment plant in the Factory. In Pulp Plant Expansion, an additional liquor evaporation plant has been introduced to tackle the effluent. In addition, your company, with the help of M/s Environmental Engineering Consultants of Bombay has studied the expansion of existing treatment plant and we are going ahead with the construction of a plant at a capital cost of Rs 1.5 crores. The estimated annual running cost being Rs 1 crore.

POLYNOSIC STAPLE FIBRE:

You are all well aware that the Textile Mills in the South are the promoters of this industry for the purpose of production of Rayon Yarn and Staple Fibre so as to supplement their raw material supply—cotton. Since we were dependent for the production of Rayon and Staple Fibre on the imported Pulp, we had to diversify our industry for the production of Wood Pulp based on the wood available in hill areas, like Ooty, Kodaikanal, etc. As we have progressed with the Pulp Plant, we also expanded production capacity of Staple Fibre. Now with the expansion of the Pulp Plant reaching the full capacity, we have reached a stage wherein the maximum possible resources out of the woods available in the hill areas

would be utilised for the manufacture of wood pulp. Nearing completion of the Pulp Plant Expansion, we are going ahead with the starting of a 20 Ton Polynosic Staple Fibre Plant costing around Rs 15 crores. This Polynosic Staple Fibre would supplement to a great extent the long staple cotton now being imported by the Textile Mills. We expect that this project would be completed in 1980.

Here I must recall with pride and satisfaction that with a small production of 10 ton Staple Fibre and 10 ton Rayon Yarn per day, we have developed this Company to a production of 30 ton Staple Fibre, 10 ton Rayon Yarn and 120 ton of Rayon Grade Pulp per day. This development has been made by careful handling of finance and ploughing back the development rebates, depreciation allowances made available to the Company.

The founders and promoters of your Company have thought it fit to start an industry like this in rural areas, which has benefited many people. In the year 1956-57, Sirumugai, where our Factory is situated, was only a hamlet, where nothing except stones and barren land was seen. But, to-day, after two decades, Sirumugai has become an important centre in the industrial map of our country and that small place has now become a centre of attraction for many business communities and for many people. Also we are glad to note that massive employment was provided by large scale planting and regeneration of forests in Ooty and Kodaikanal. With the completion of 20 ton Polynosic Staple Fibre Project, I am sure this industry would be economically viable unit comparable with international standards. I am also very glad to inform you that the Company's products are of high quality and you would have seen from the market reports that our products are always quoted high when compared with the products of other Companies in our country. The working results during this year are satisfactory and I hope that

barring unforeseen circumstances the results for this year should be good.

I take this opportunity to thank our Collaborators. M/s Italviscosa Eastern Trading S.p.A., Italy, for their continued co-operation. My thanks are to my colleagues on the Board. Finally I thank the Bankers, Contractors, Staff and Workers at all levels who have been giving their best for the progress of the Company in all respects.

(Note: This does not purport to be a record of the proceedings of the Annual General Meeting.)

The Calcutta Electric Supply Corporation Limited

(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 21st June, 1978, has declared payment of Final Dividend on the Company's Preference Stock for the year ended 31st March, 1978, at the rate of 3% (gross). Payment will be made on 14th August, 1978, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 15th July, 1978.

Applications for transfers received in this office up to 15th July, 1978 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The Registration of Transfers of Preference Stock in the Calcutta Register will remain suspended and the Register of Preference Stockholders in Calcutta will remain closed during the period from 17th July to 22nd July, 1978, both days inclusive.

By Order of the Board
S.K. NIYOGI
SECRETARY

Victoria House,
Calcutta, 21st June, 1978.

Alembic Chemical Works Co., Ltd.

Speech of Shri R.B. Amin, Chairman, Board of Directors, at the
71st Annual General Meeting, Baroda, Thursday, 29th June, 1978

Ladies and Gentlemen,

I have pleasure in welcoming you all to the seventy-first Annual General Meeting of the Company.

The accounts for the year ending 31st December, 1977 and the Directors' Report have been sent to you in advance and, with your permission, I shall take them as read.

Our sales have increased by nearly 9 per cent from Rs 26.40 crores to Rs 28.80 crores. This percentage increase is low compared to the increases in sales achieved in earlier years. One major handicap was the shortage and irregular supplies of major raw materials like penicillin, streptomycin, nospapine, aspirin, prednisolone and Vitamin C. Your company was particularly hard hit by these shortages because of the predominance of antibiotics in its product mix.

Production of antibiotics entails many problems in terms of heavy initial investment, complexities of technology, processes and equipment as well as the need to deploy larger numbers of qualified and skilled personnel. However, we have regarded all these problems as opportunities and as a fitting challenge for your Company. Equally, we would like to continue and carry forward our thrust in the direction of antibiotics, both in terms of increased volume of existing products and introduction of newer and more effective antibiotics. There are reports according to which certain categories of drugs are to be reserved for the Government Sector factories. This step would not be in the interest of the national economy. In this kind of situation what would

be the role in future of national sector companies which have already developed expertise and facilities to manufacture high technology drugs like antibiotics? This reservation of items and areas seems to be an unfortunate and unnecessary carry-over from the restrictionist and negative policies of the past. Especially when the Janata Government has declared itself in favour of decentralisation it is difficult to understand why the same old doctrinaire approach for the continuous and indiscriminate expansion of the Government sector and restriction of enterprise by the people is being propagated now. It was this approach which has, all these years, not only stultified the private sector operations but also weakened the government sector performance in terms of returns on investment and manpower employed. Above all, this policy has relegated the consumer entirely into the background whereas the consumer should be the kingpin of the economy. We should not persist with these erroneous and prejudiced approaches and allow the national economy to suffer and stagnate as before.

The private sector is perfectly accountable to the public, including those who have voluntarily invested their savings in them. If there are any malpractices, the law is more than sufficiently equipped to control and prevent them. In fact, it is the government sector companies which need to be more open to the public and the best way to do this is to release some of their shareholding to the general public. Thus, our people will be directly connected with these companies and, in turn,

the companies will be accountable to the people for their performance. It will loosen the excessive hold of the executive wing of the government on these companies and lead to a very necessary devolution of authority. As soon as this is done, it would also put a stop to the present phenomenon of so many public enterprises carrying on without top executives for months on end. The overall quality and performance of the entire executive team would also improve because they would be working under the scrutiny of the people. This will bring about the necessary toning up of government sector enterprises, increasing their awareness of their commercial role and responsibilities and sharpening their sensitivity to the consumer and the citizen.

Production of all drugs should now be made open to national companies. It would be anomalous and generally counter-productive if your Company is pegged down to the present categories and capacities of production in antibiotics. This is a field in which your Company has made pioneering and substantial contributions for the past 25 years. We have now acquired considerable expertise of our own as also an ability to judiciously and economically select and absorb technological advances developed elsewhere. I am confident that the Government will appreciate this situation and so orient its approach and policy as to encourage national companies like yours to make their best contribution to every aspect of pharmaceutical development and manufacture in our country. In view of the extremely low level of availabi-

lity and utilisation per capita of even essential drugs in our country, there is scope for increased production everywhere and no restrictions or reservations are called for. It is only this positive and constructive approach that will ensure adequate supplies of medicines, of good quality and reasonably priced, to all our people, particularly those in the rural areas.

The less restrictions there are as to who manufactures what and how much, the more does the consumer benefit in terms of the quality of products, introduction of new and better remedies, efficiency of distribution and the continuous lowering of prices on account of competition. Most such controls have outlived their utility and relevance; they should be discarded. The earlier this is done, the better off we shall all be. Under these circumstances the slow, ad hoc and inherently negative process of administrative price control would be equally redundant. We have, as a nation and as an economy, to get away from this outlook.

It is in this light that we should view and adopt the new policy of government on drugs and pharmaceuticals proposed to be finalised and implemented by 1979. Under this policy, licensing for manufacture of basic drugs and formulations seems likely to continue for units like ours. It is indicated that production and introduction of new items by national companies would be made easier. However, control or licensing, even if it is continued in an attenuated format, will considerably slow down growth. Even under the so-called improved procedures for the issue of manufacturing licences the time taken is just too long. In some cases, the time for disposal for one reason or another can be so long that it is difficult to distinguish between delay and denial. As an industry of national importance, depending on speedy induction of new drugs and methods of manufacture as also entrusted with a massive increase in the volume and diversity of production, we just cannot afford these delays.

Therefore, manufacture of formulations must be made completely free as early as possible.

It is reassuring to note that Government has recently made it clear that in adopting the new drug policy its intention is not to make the drug companies suffer losses or to impede the growth of the drug industry. Companies have been asked to prepare and present their profitability profiles in terms of the new drug policy to Government so that a factual picture of the viability of their operations could emerge. Profitability in companies like yours is already very low because of a higher proportion of the value of products sold by us is derived from items included in Category I and Category II with low mark-up. The mark-ups of 40 and 55 per cent respectively proposed in the new policy would make matters even more difficult. Government have also stated that in the case of manufacturers whose product mix falls mostly in the first two categories, Government would be prepared to consider their diversification into drugs falling in Category III where the mark-up to be allowed up to 100 per cent and Category IV where there will be no control on prices. We feel that this device by itself would not be sufficiently effective and it will be necessary to maintain the existing mark-up of 75 per cent for essential items covered under the proposed first two categories. Further, in order to meet the national objective of self sufficiency in the area of bulk drugs required for the higher expected growth of formulation products in coming five years, Government should encourage manufacturers of bulk drugs through proper incentives of liberal licensing and a minimum post tax return of 18 per cent on net worth instead of 14 per cent suggested in new drug policy. We feel confident that Government, prior to finalising the outlines and details of the new policy, will take the broad and farsighted view necessary to give our pharmaceutical industry the strength,

resilience and drive which will be required to meet the challenge of the future. Government should also feel equally confident that in fulfilling these national goals, we shall be willing partners, happy to exert and keen to cooperate.

Another area which one would like to mention and to seek adjustment and accommodation is the limit of allowable expenditure on advertising and promotion. The pharmaceutical industry is essentially market oriented and the amendment in the Finance Act, 1978, providing for disallowance of a certain percentage of expenditure incurred by an assessee on advertisement, publicity and sales promotion in India will affect it adversely. As your company is trying to reach out to far-flung and less-developed parts of the country, the cost of commercial communication rises sharply. So also does the expenditure in the area of technical communication in person to doctors with sufficient quantities of aids for demonstration as well as clinical trials. However, these outlays are essential for the development and extension of medical care throughout the country. We hope that Government, taking this broader perspective in view, would relax the curbs on advertisement and promotional expenditure for the pharmaceutical and such other industries.

Before ending my Statement, I would record our appreciation of the efforts made by the workers, the staff and the managers of your Company in the past year. I also thank my colleagues on the Board of Directors for their counsel and cooperation.

I now commend the Annual Accounts and the Directors' Report for your consideration.

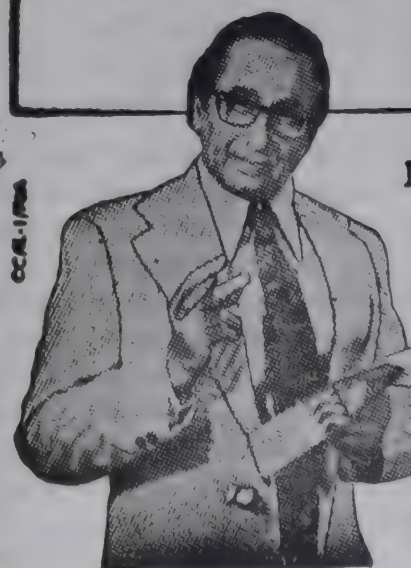
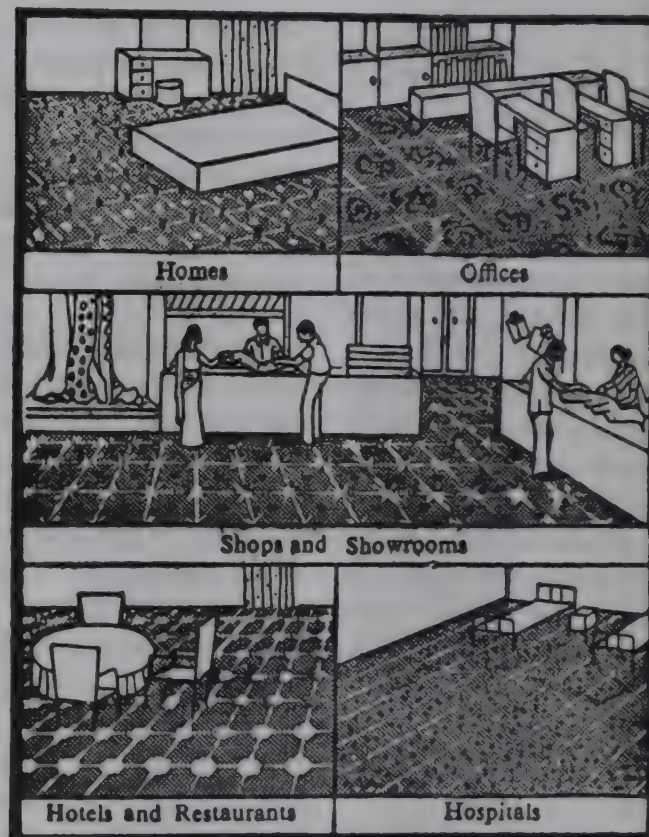
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E.I.D. Parry (India) Limited

Address by the Chairman, Mr. R. Venkataswamy Naidu

The Third Annual General Meeting of the Company was held on 26th June 1978. Presiding over the meeting, the Chairman Mr. R. Venkataswamy Naidu made the following statement to the shareholders.

Ladies and Gentlemen:

I have great pleasure in welcoming you all to the Third Annual General Meeting of your Company.

At the outset, I would like to mention the grievous loss we suffered in the demise of Mr. H.V.R. Iengar, your Company's immediate past Chairman; a man of immense energy and ideas, he brought lustre to many offices he held with distinction. During the tenure of his Chairmanship, which lasted for about ten years, he brought to bear upon every facet of the Group's activities, his wide experience as an able administrator, his knowledge of finance and his sense of what was appropriate and relevant. In times of crisis he was a source of immense confidence to us and more than all these, he lent a very special human touch in his relations with everyone in the Company. We share the loss of his passing away greatly.

In my address to the shareholders last year, I had expressed the hope that the new Janata Government would pursue a policy which would create a healthy economic climate giving a stimulus to investment and production, consistent with maintaining price stability. The Janata

Government which has been in office, for more than a year, needs commendation for the many pragmatic decisions taken such as liberalisation of imports, simplification of industrial licensing, rural development and a shift towards cheaper money.

One of the historic achievements of the Janata Government is the restoration of democracy and rule of law. What pervades now is an atmosphere of freedom from fear which during the Emergency had completely gripped the entire nation. Quite naturally, the restoration of freedom and rights gave way to the pent-up emotions, aspirations and energies of the people being released and we have, as a consequence, witnessed during the last year or so, a troubled labour front, involving strikes, go-slow etc., which naturally affected the industrial climate.

We have every hope and expectation that stability will soon be reached and the country and government will settle down to a period of sustained hard work and growth. We extend our wholehearted co-operation to the Janata Government headed by Shri Morarji Desai, a man of great dedication and principles and who, during his short tenure in office,

has established for himself an enviable reputation for honesty, integrity and sobriety which has been acclaimed by leaders all over the world.

The Annual Report and Accounts for the year ended 31st December, 1977, have been with you for the statutory period and with your leave, I shall take them as read.

Working Results :

To come to our own affairs, I would like to say that the year 1977 was one of recovery for us from the set-back suffered in 1976. Notwithstanding the fact we were plagued by many problems and difficulties which were outside the normal run, it is heartening that we were able to bring the Company back to profitability. It must be noted, however, that despite bonus liability for two years 1976 and 1977 being provided for against the normal charge of one year's provision, the results show a modest profit.

Having considered all circumstances, including the fact that having by and large met all obligations to staff, labour etc., your Board of Directors felt it was only fair and reasonable that the aspirations of owners of capital are also satisfied at least to some extent, and have therefore recommended for

shareholders' approval a dividend of 6 per cent on Equity Capital having already cleared the dividend on the Cumulative Preference Shares for the two years 1976 and 1977.

The year 1977 witnessed a turnabout in the profitability of almost every division barring sugar, with fertilisers contributing the maximum.

Whilst by and large, the improvement in working results emanated from many divisions and more particularly fertiliser, the problems of sugar division continued unabated, despite improved cane crush and recovery, following lower average realisation on account of uneconomic levy price fixed by the government. The quantity of cane crushed and recovery would have been better, but for the cyclonic storm and heavy rains in the cane area of our sugar factory in November 1977 and restraints on crushing due to labour problems. The results of the division also would have been better but for these adverse factors.

Improved sales of fertilisers, improved production of superphosphate at Ranipet and better operating results of the Ennore factory ensured a good return from our fertiliser operations.

Ceramics division maintained a steady rate of growth. On the export side, Parryware did well. Marine Products beset with uncertainties from all angles did not progress as expected and export of ready-made garments activity continued to face problems.

On the whole, the performance of the Company could not have been better in the difficult circumstances in which we were placed.

Dividends :

After transferring a sum of Rs 100 lakhs statutorily avail-

able from development Rebate Reserve, to the net profit of Rs 13.55 lakhs and providing for Rs 46.49 lakhs on dividends for both Preference Share Capital (including arrears) and Equity Capital, a sum of Rs 67.07 lakhs is available for adjusting Rs 97.16 lakhs deficit brought forward from the previous year.

Sugar :

The crush of 4.02 lakh tonnes of cane in 1977 can be considered low owing to the quality of cane being adversely affected by heavy rains and cyclone during the crushing season which began in November 1977. Labour problems also aggravated the situation imposing restraints on crushing.

Although the statutory cane price was fixed at Rs 85 per tonne, the factory was obliged to pay Rs 100 per tonne in deference to the wishes of the State Government.

The Government of India continued the policy of partial decontrol taking over 65 per cent of production. Levy sugar price continued to be much lower than what should be paid on the basis of current lower recovery trends and depressed prices for free market sugar.

The government also introduced reduction in basic excise duty on free market sugar from 37½ per cent to 20 per cent ad valorem and from 10 per cent to 7½ per cent on levy sugar with effect from 16th November 1977.

Belying all expectations, the government further arranged that the levy sugar prices for 1977-78 season in respect of various zones be pegged at the same level as that of the previous season.

Non-revision of levy price led factories in Tamil Nadu to

file writ petitions claiming a higher levy price. In the meantime, the Central Government announced ex-factory levy prices for the various zones by a uniform increase of Rs 18.03 per quintal over the prices notified earlier. Accordingly the revised levy price fixed for Tamil Nadu factories for the 1977-78 season is Rs 196.26 per quintal. The price fixed is inadequate and hence a writ has again been filed in the High Court and interim orders have been obtained for collecting levy price at Rs 231.06 per quintal.

Nellikuppam factory is expected to crush 6/7 lakhs tonnes cane in 1978 and the recovery may be around 7 per cent due to crushing of overaged cane. Production costs are expected to rise due to the anticipated recovery.

Spirit and Carbonic Acid Gas:

Production and sales were satisfactory in 1977.

Fertilisers :

Sales registered an increase of 22 per cent as compared to the previous year, due to a spurt in demand following reduction in prices of nitrogenous fertilisers and favourable monsoon conditions. Removal of restrictions on food grains movement coupled with freely available transport facility, both by road and rail, helped improving performance of this activity.

Sales of Coromandel Fertilisers and Madras Fertilisers products showed noteworthy increases by virtue of our marketing the increased quantities made available by the Principals.

Here I wish to express my appreciation of the timely and unfailing assistance and support from our Principals.

Pesticides :

Procurement of additional

licences and supply of imported technical materials permitted us to meet the increase in demand resulting in turnover nearly doubling itself. However, a shortage of basic raw materials is developing and this could in future affect sales volume.

Seeds :

Price fluctuations and changes in cropping patterns continued to affect this activity's results.

Animal Feeds :

Widening of market base led to a 37 per cent increase in production over last year, though competition was severe.

Ceramics :

In my statement to you last year, I had mentioned that the ceramics unit at Ranipet had met all expectations and is performing creditably. I am glad to report that during the year under review, the Unit continued to perform well.

The expanded production facility to reach the licensed capacity of 4,920 tonnes has been fully commissioned and in certain months of the financial year, the plant operated well above the rated capacity. This, I consider commendable particularly as the Ranipet Plant is an old one which we are trying to modernise in phases to see that we get the optimum output from it. In fact, the expenditure on such modernisation has been only 30 per cent of what we would otherwise have spent had we decided to build an entirely new Unit to double our capacity.

Despite the fact that during the latter half of the financial year, there was some labour unrest and inclement weather, the unit has functioned creditably to produce 4,424 tonnes of Sanitaryware as compared to

4,042 tonnes during 1976. It is expected that the volume of production will be higher during 1978. However, I would like to stress that there has been an appreciable increase in the production costs such as raw materials, labour etc and to offset these, your Board is considering the scope for further increase in production, rationalisation of product-mix and the introduction of sophisticated firelay items in place of the traditional bazaarware/acid jar lines.

I am glad to observe that sales have kept abreast of production and helped to keep inventories low. 'Parryware' continued to retain its good brand image and our products have earned a name for their high quality, both in internal and export markets. To meet consumer preferences, your company introduced in their colour range two new colours viz. Avacado and Nectarine which are gaining increasing acceptance.

Exports of Parryware expanded very considerably during the year under review and newer markets were opened. Business prospects for the coming year are equally good. Efforts are continuing to further expand our marketing operations abroad and we are confident of success in the coming years.

Chemicals :

Production and sales of chemicals were satisfactory and the products made available by Herdillia Chemicals were also fully marketed.

Ennore :

Production of Paramfos at the Ennore Factory reached an all time high at 53279 MT during 1977. Significantly, capacity utilisation of 102 per cent is the highest reached by any

phosphoric acid based fertiliser unit in this country.

Fixation of retention prices of nitrogenous fertilisers has been completed and retention prices for phosphatic fertilisers are to be fixed soon. It is too early to gauge the effect of this on the economics of Paramfos production. Considerable progress has been made on the diversification plans at the factory and I will give full details subsequently.

Marine Products and other Exports:

The two trawlers imported by us from Mexico arrived in India in October 1977 and after completing the formalities with regard to registration, commenced fishing operations from Vizag from end-January 1978. Certain performance deficiencies noticed in the trawlers have been corrected and it is hoped that these will not have any long-term effects on their operation.

When we first went into the project our idea was to eventually acquire and operate a viable fleet of trawlers, to finance which we had every expectation that Shipping Development Loan would be available on attractive terms. On the basis of the then policy the scheme would have been profitable as the area of trawling was also not limited. Since we entered the project considerable restrictions have been imposed on large houses in the matter of providing finance, area of operation etc. In pursuance of this policy, various State Governments also can impose restriction on the area of operations and institutional finance may not be available on the basis earlier expected. As these changes have considerably altered the scope and viability of this pro-

ject and in order to meet the altered situation and circumstances, we are also negotiating with other Trawler fleet-owners on whose operations there are lesser restrictions and therefore can operate more freely.

Export of ready-made garments did not show any signs of revival in 1977. Recession in the American markets continued and this had an adverse bearing on our exports as the buyers were faced with a financial crisis to an extent that some of them went back on their contracts. Attempts have been made to further our exports to U.K. and Europe and the results show promise.

As a consequence, we are continuously appraising the problems and prospects of these activities from the long-term view.

Outlook for 1978 and Development:

With 1977 having been a somewhat better year than 1976, shareholders will naturally want to know how we are faring during the current year running. As shareholders are aware, sugar and fertilisers account for a major part of our activities and by virtue of the seasonal factors, a substantial part of the profits also accrue only in the second half of the year.

In the actual operations of the sugar factory after installation of the machinery for the higher capacity at Nellikuppam we have had to face teething problems and the rate of crush and recovery have been lower for reasons stated earlier. All steps are being taken to achieve the maximum possible results. There are some more problems and a clearer picture will emerge only as we go

along. On the other hand, sales of fertilisers, ceramics etc have been satisfactory. On the whole, it would appear that 1978 may not be an easy year and any prediction of profits in relation to the existing activities even to a fair degree of accuracy is beset with a large amount of uncertainty.

In these circumstances, it is necessary to look back and also take stock of the situation.

Shareholders are all aware that the House of Parrys is one of the oldest organisations in this City and State and is a premier institution forming the backbone for the employment of white-collared workers in the City. This organisation plays a very vital role in the economy of the State—agrarian and commercial—both at the village level where our sugar and ceramic factories are situated as also at town levels where a number of our offices are located. It will be appreciated that any setback to the operations of this organisation will have a consequential impact on the economy of the State and the City. It is, therefore, imperative that we grow and improve profitability and stabilise the results every year to yield good returns to the shareholders and to ensure continued employment potential.

Traditionally the Group's activities have been, by and large, confined to trading operations, as agents of other manufacturers of engineering items, consumer products, fertilisers etc. The manufacturing activities have also been confined to sugar and fertilisers—apart from ceramics—both of which suffer from being vulnerable to many factors,

beyond the control of the management. With the increasing restrictions being placed on large houses in respect of agency lines, it will be appreciated that the combined effect of these factors is such that there are marked ups and downs in the profitability of our operations. We also suffer from excessive work force and despite having reduced the number through an attractive scheme of voluntary retirement which cost us Rs 30 lakhs we have not been able to derive the full benefit thereof for reasons beyond our control. The need to diversify and expand the base of our manufacturing activities into lines which will not be so heavily sensitive to and dependent on the vagaries of the monsoon and other factors and will yield us good returns and a better cash flow was recognised some years ago. However, as long as we were a sterling company, permission to go into these manufacturing areas could not be easily obtained but with our having become an Indian company not only in pursuance of Government's policy but, in fact, in anticipation of it, we have been granted letters of intent and the stage is now set for implementation of the new projects.

As I visualise it, the Group's manufacturing activities will have to grow in the years to come, on lines which will impart a reasonable amount of stability and growth to profits and cash flow and with these our marketing activities in respect of our own products will also grow. I wish to say that subject only to Government's policies, we are more than keen to strengthen our ties with Principals whose product we handle as agents or distributors and I do hope

this side of our business will also grow in the years to come. Our investment policy is also oriented towards acquiring interests in manufacturing companies where we will have a commercial arrangement either as selling agents or otherwise, yielding us returns and income and also a good prospect of participation in export contracts by the collaborators who happen to be multi-nationals and who have got big contracts in third countries by way of fabricating equipment and providing service personnel. Wherever possible, in future, it will be our endeavour to seek larger participation in these companies to derive fuller benefit therefrom.

I have no doubt in my mind that it is only through this process of industrialisation that we can secure for the shareholders better returns in the future and for the employees better employment potential.

Having said this, I would like to observe that until these projects start going on stream from 1979, we will be going through a period of transition and the profit picture will inevitably be erratic because of our excessive dependence on sensitive commodities such as sugar and fertilisers.

Years of sustained hard work are ahead of us to complete the diversification programmes and to benefit from these. Until such time I would earnestly appeal to the various Unions to await better times, since, however justified their demands may be, the Group cannot take on additional commitments for some time to come. Let us all make an united effort to set the Group on the road to growth not only in terms of assets value but more importantly in respect of profitability

and in pursuit of this goal I seek the co-operation of employees.

Shareholders will like to know that in respect of the sugar expansion/rehabilitation, loans partly on soft terms and partly on normal terms are being finalised with the institutions. As we went in to the soft loan scheme on the basis that they will really be on very soft terms, we would appeal to the institutions to be liberal to us taking into account the urgent need for us to diversify and grow. As regards the other schemes, your Board is actively considering various methods for financing both in respect of foreign expenditure and rupee costs taking into account internal cash accruals. We will come back to the shareholders when appropriate.

In pursuance of the aforesaid programme, work on the diversification of the Ennore fertiliser factory has made considerable leeway during the year. An agreement was entered into with Messrs. Haldor Topse of Denmark for the know-how and basic engineering for the revamping of our Ammonia Plant for Methanol production. The agreement has been taken on record by the government and the bulk of the design package has already been received. The detailed engineering work has reached an advanced stage and the capital goods licence has been applied for. Barring unforeseen circumstances, it is hoped to stop fertiliser production at Ennore by the first quarter of 1979 and the present Ammonia Plant after suitable revamping for the production of Methanol along with the Methanol Distillation Unit, will be commissioned by the second quarter of 1979. As there will be a time lag between the com-

missioning of the Methanol Plant and the STPP Plant, the various options to use the Sulphuric Acid and Phosphoric Acid Plants are being investigated to ensure the best profitability on diversification of the factory.

The work on the Sodium Triphosphate Project is progressing.

I had mentioned in my address to you last year that a Letter of Intent had been received for a Tool Room Project to be located in Karnataka. For this purpose we have purchased land and buildings at Bangalore with power, water and other facilities required for commencement of production and it is expected to function before the year is over. The order book is full for this venture and is expected to meet the demand for high precision and sophisticated tooling for the electronic industry as well as for plastic, rubber and other allied industries and yield income for us. The requirements of Amphetronix Limited will also be catered to by this factory.

The company has also a Letter of Intent for promoting a new venture with Montedison of Italy for the production of 100 MT per annum of Chloramphenicol of which 50 per cent will be usable by the new company for formulations. Our arrangement with Montedison will also provide for production of other product ranges as we go along so that the scope of the project is enlarged.

Further developmental work on this venture is in progress.

Industrial Relations :

By and large, industrial rela-

tions were cordial during the year under review despite the perennial wage question and other cognate demands coming up for review almost throughout the Group. The major issues have been resolved through bipartite negotiations barring few places.

Fixation of factory strength as a sequel to increases in the crushing capacity caused some trouble at Nellikuppam. The State Government referred the issue for adjudication to a Special Tribunal. Ultimately, we came to a settlement following bipartite negotiations.

We have had preliminary discussions with the Unions as to how we could relieve the burden of surplus labour even in respect of factories where labour strength has been established. In this connection, we are looking into the possibilities of diversifying into labour-oriented industries so that without retranchment we can utilise the "surplus" which will have the twin advantages of making our activities competitive in relation to other manufacturers of similar products and at the same time provide a permanent basis for employment opportunities in rural areas where we operate.

General :

I wish to thank my colleagues on the Board and all our employees in various locations, whose efforts have combined to complete a successful year for the company.

N. B. : *This does not purport to be a report of the proceedings of the General Meeting.*

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THE MADRAS ALUMINIUM CO. LTD

Registered Office: "JAYALAKSHMI" RACE COURSE, COIMBATORE 641 018.

Address to the members of the Company delivered by Shri C.G. DEVAYA, MANAGING DIRECTOR, at the 18th Annual General Meeting of the Company held at the Indian Chamber of Commerce, Coimbatore, at 10 a.m. on Thursday, the 29th June 1978.

I am glad to welcome you to this Annual General Meeting of Malco. After being on your Board for a short spell it was for me to take over the Management of your Company. You are fully aware of the circumstances under which I took over. To succeed in my efforts to steer the Company round, naturally I would need your support and that of your Board, and in my turn, I shall try my best to deserve such support.

The first question you would obviously ask is "What now with Malco—How shall we put it right". Most of you are conversant with its problems, but perhaps not the solution. I have been incharge of your Company now for 3 months and at this first meeting would like to report to you the situation as I see it.

The audited accounts and the Directors report for the year 1977 have been in your hands for quite some time and naturally you are disappointed for again Malco has not been able to show profits after providing for depreciation. There has been no cash loss however. There has been a meagre cash surplus of Rs 30.55 lakhs, at the end of 1977, which is inadequate for the provision of depreciation of about Rs 1.9 crores. You will note with some satisfaction that the arrears of depreciation for 1975 and 1976 were cleared during the year from the reserves which in the process has now got depleted to Rs 2.50 crores from Rs 6.01 crores at the end of 1976.

We declared dividends last only in 1971 and have been unable to do so, for the next 6 successive years.

The analysis of the situation for 1977 bears a lot of similarity to the position in the past. The



SHRI C. G. DEVAYA

odds have been against us in the following order of intensity.

The levy prices have been far too low.

There has been power cuts again in 1977.

The input costs have been increasing.

The Pricing Policy:

I would say this is a primary reason for your Company performing badly in 1977.

During 1977, 50 per cent of your Company's products of Aluminium ingots and Properzi Rods had to be sold, as levy metal, at low levy prices like in the previous years, as per the Aluminium Control Policy of the Central Government. Due to power cut, the production during the year was low at 17036 tonnes. The retention price for 1977 varied between Rs 6831 and Rs 7500 per tonne for ingots which is lower than the cost of production of about Rs 9000 after providing for depreciation. Our losses due to sale of levy metal (ingots and rods) was about Rs 126 lakhs during 1977 and the nett loss after provision of depreciation was Rs 159 lakhs on levy and non levy sales. Your

Company has represented to the Central Government that this Policy should be revised. Any pricing system should ensure a fair return on investment. The discussions that I had with the Central Government leads me to believe that a pragmatic policy would be forthcoming to give relief to the Aluminium Industry and in particular to Malco. This could be done by reducing the levy percentage and fixing a fair price for the products. A suitable rebate could be given from the Central Excise revenues for the tonnages sold. Alternatively, the levy system should be scrapped. You will agree that any Control Policy that leads to loss due to no fault of an enterprise is totally unfair. I find Malco has gone through this experience in the past few years. It is true that we had power cuts. Tamil Nadu went through a lean period and Malco had to take its share of the brunt. The production during 1976 and 1977 was 18968 and 17036 tonnes respectively representing 75 per cent and 68 per cent of the installed capacity. An efficient set up, like Malco, should have been above the break even points, at these levels of utilisation and, with sales at market prices, some profits should have been made during these years. But at the existing levy price levels it was not to be. Malco ended up 1976 and 1977 with the deficit of Rs 62 lakhs and 159 lakhs respectively after provision for depreciation. Malco was a loser and so too the user of aluminium with the high excise duties. The only winner was the Central Government with excise duty revenue of Rs 8.72 crores and Rs 8.05 crores respectively gained from Malco's operations in 1976 and 1977. This is the situation which will repeat in

1978 even at a production of 23,300 tonnes (92 per cent utilisation) if the present levy policy continues. A strong representation has been made and I have every confidence that those that control the destinies of our Industry at the Centre are now fully conscious of what could happen and will set right this state of affairs. The Aluminium Industry is too precious an Industry to be let down in this manner. A pragmatic policy is needed to boost investment to develop this key Industry to the utmost extent. This is a National need.

Electricity

Power has been always the problem for your Company and 1977 has been no better. But 1978 has been a different story thus far. The Tamil Nadu Government have been good enough to keep Malco supplied with 67 MVAs which will enable your Company to maintain the production rate at about 23,300 tonnes per annum. With the advent of good monsoon there is the hope that Malco can be given additional power in gradual stages. We have requested our State Government to increase the supplies by 3 to 7 MVAs during this monsoon by July 1978 to be followed up with further additional power in January and July 1979 in synchronisation with the commissioning of the 2 stages of the Tuticorin Projects which would add another 400 MVAs of thermal power during 1979 in our State. Malco could then produce 26,100 tonnes by August '78 with no further capital equipment needed. Expansion to 31,000 tonnes can be considered after fully assuring ourselves regarding the power availability, for the failure of the monsoons can

always spell disaster to Malco. However the increase of the existing capacity from 23,300 tonnes to 25,000 tonnes/26,100 tonnes will be a reality with no further capital expenditure if the Tamil Nadu Government is good enough to give us the additional power of 3/7 MVAs by July 1978. With this our viability would improve considerably. Malco needs special protection from power cuts as these have disastrous financial repercussions. With the commissioning of the Tuticorin projects, such protection should be possible.

The electricity tariff is always the bone of contention for an Aluminium Industry like Malco. It is our request to the Tamil Nadu Government that the tariff should be in conformity with the rates as per the Central Government's Aluminium Control Policy. This is a fair request. For this is the basis on which the levy prices are fixed and also the basis on which TNEB buys the conductors for their electrification programmes.

We are in discussion with the Tamil Nadu Government for additional power as also for the rates to be in conformity with the tariff as per the Aluminium Control Policy, and it is our earnest hope that a fair decision will be communicated soon taking the relevant factors into consideration.

As you are well aware apart from the Public who hold 27 per cent of the Equity and Preference Shares and the Italian Collaborators (20 per cent), the Tamil Nadu Government through TIIC have large stakes with a shareholding of 19 per cent. The financial institutions, LIC and Banks have 33 per cent and the promoters the rest (0.66 per cent). With this pattern the shareholdings of Malco is a very balanced and ideal one, so to speak. Tamil Nadu Government stakes in your Company is appreciable and as a Government they have everything to gain when supply of power is made at the rates as per the tariff set in the Aluminium Control Policy. Malco needs about 470 million units of electricity per year. The power supply to Malco through the 110KV high voltage transmission

system enables substantial savings through reduction in transmission losses as also with elimination of distribution expenses through the sub-stations, transmission lines etc when other industries are supplied alternatively, through low voltage transmission. There is further revenue to the State Government through royalty from Malco for bauxite mining at Yercaud, Sales Tax on Aluminium sold and substantial excise rebate to TNEB from the Central Government for the aluminium conductors purchased. All this and the excellent employment potential generated in and around Mettur through the Malco operation in an essentially rural area fully justifies the supply of adequate power to Malco. I have every confidence that our representation on the power issue will be favourably responded to by Tamil Nadu Government. No aluminium producer can survive if power rates are high and enough power is not supplied. There are only 4 primary producers of aluminium in India and Tamil Nadu Government has the pride of having one of them in their State.

You are further aware of the unfortunate legal controversy that has developed between your Company and the State Government on the use of power during the power cut periods in the past. With the new developments that have emerged in the intervening period we earnestly hope that the issue will be solved amicably as this would be in the mutual interest of all concerned.

Present Strategy to Attain Viability

And now as for the short term plans to set Malco on a viable path towards profitability. Primarily of course your Company will strive to succeed with regard to our representations on the pricing policy and power availability at a reasonable tariff. It would be however obvious, that under the existing conditions the added value of our products should be increased by altering the sales mix of your Company's products. There cannot be much profits from the sale of sheer primary metals

when we are always under the threat of (a) power cut and (b) low levy prices. It is the plan of your Company to diversify into manufacture of extrusions and sheets very quickly. These projects had been on the anvil for quite some time but could not take off due to lack of funds. I am glad to say that I had discussions recently with the Financial Institutions at Bombay and they have agreed in principle to consider the necessary loan assistance. We have applied for Rs 293 lakhs for going ahead with 3 projects viz. (a) Manufacture of Aluminium Extrusions at the rate of 2000 tonnes per annum. (b) Manufacture of Continuous cast sheets at the rate of 7000 tonnes per annum and (c) expansion of Alumina Plant from 120 tonnes per day to 140 tonnes per day. We hold the necessary industrial licence for this expansion. The Extrusion Press of a very modern design will be imported from USA. The Continuous Cast Sheets manufacture technology is being imported from France for the first time into this country. We shall have the licence to manufacture the capital equipment and supply to other Companies including through export under the arrangement with our French Collaborators. It is necessary to expand our Alumina capacity as the present capacity is inadequate to match the installed capacity of 25,000 tonnes per annum in the Smelter for the manufacture of Aluminium.

With the acceptance of the above projects in principle by the Financial Institutions we have launched the drive to establish the projects with tight time-bound schedules. We have set for ourselves the Objectives for establishment of production of Continuous Cast Sheets within 12 months and for the extrusions within 15 months. The Alumina capacity will be increased within 12 months. (From the dates the loans are sanctioned).

With the above strategies for diversification, and through ensuring realistic Government policies one can see the end of the tunnel for Malco in the first stage of its growth in the right direction. The vulnerability of

your Company due to some of the factors outside our control will certainly be reduced.

Strategy to Follow :

Your Company proposes to follow up the above short term plan with installation of Cold Rolling Mills with allied facilities for the production of cold rolled sheets for which Continuous Cast Sheets will form the stock. This will enable a further set of products figuring in our sales list with much higher added values and enable your Company to attain even a stronger state of viability. We are now examining the ways and means of gearing up the resources for the establishment of this project. The capital expenditure involved would be about Rs. 3 crores. The early achievement of this plan is desirable. Relatively, although the investment looks a little out of proportion, the returns on the investment will be good. More important, the strategy is called for to ensure that Malco is even more viable. The techno-economic feasibility will naturally be established to the satisfaction of your Board and the Financial Institutions who will have to consider the financing of your projects. The timing is important.

The expansion to produce, at least 31,000 tonnes of aluminium per annum is the natural path for further growth for your Company, for at this capacity the Company will be more economical as production goes. This can only happen, obviously, when power can be assured to us by the Tamil Nadu Government. The electrical equipment like rectifiers and transformers are already installed for this capacity. Further capital expenditure required would be about Rs. 3 crores. The decision on this will be taken only after the power situation is assessed precisely.

Our Customers

I must now refer to our customers who have stood by us through thick and thin. Our metal reaches customers in all the States in India. We supply the small and the big industries with metal, ranging from even $\frac{1}{2}$ tonne upto 100 tonnes at a time. We certainly do not

JULY 7, 1978

satisfy any of them, for the demand is so great and the supply so limited and our 'allocations' have been erratic. I am doing my best to systematise the distribution by assigning chronological priorities. Malco now tells the customers the schedules for their supplies well in advance after the necessary LCs are opened or drafts are received. This should bring our customers a bit of satisfaction at least. One of our foremost objectives is 'customer service!' Our rate of supplies however can only increase when more power is given to us by our Government. Until then I would request our customers to bear with us.

R & D

Our programmes have been modest, mainly directed towards product development. A few cost reduction schemes have been effectively implemented. The two major products now on hand are the extraction of gallium and substitution of furnace oil with producer gas for raising steam for achieving substantial economies. We shall follow up with more R & D projects in alignment with our objectives.

Collaborators :

A special word about our Italian Collaborators M/s. Alumental, S.p.A, Milano, Italy. They have written to me assuring me of their support in any technical area that your Company may need, and I thank them for their support. In particular they have rendered valuable advice with regard to our diversification plans. They have a most modern plant and I shall be visiting them at their invitation to study their operations as soon as I become conversant with our problems and requirement at Malco. I shall utilise their offered hand of assistance to the utmost for I believe we have plenty to learn in this area of technology. We should achieve greater efficiency and maximum cost reduction in our operations. Further strategies for a breakthrough need to be studied in the diversification areas.

Staff and Employees :

About my staff and all employees of Malco. I have

entered the scene as a stranger. Within the short time I have been here, I have experienced their unstinted support. This I need at a time when there is a lot to be done. I have found them to be interested and innovative and I look forward to working with them for your Company for a constructive future ahead. Theirs has been a valuable contribution during the very difficult past years with power cuts and poor selling prices.

Contribution to the National Economy

Your plant at Mettur was inaugurated by our late ex-President, Sri Radhakrishnan and presided over by late Sri K. Kamraj. I am sure at that time those present at the Inauguration ceremony saw visions of quick growth of a rural region through Malco and this did actually occur as one can see all around Mettur. What Malco needs is a helping hand from those that matter and the visions seen 13 years ago will surely fully materialise, for your Company can contribute immensely to accelerate National and particularly rural growth and employment. On date this is the foremost objective of both the Central and State Governments. And in its wake I am confident, that the patient wait of you, the shareholders, will be rewarded.

Aluminium is the metal of the future and for India its growth is critical. It plays a vital role in electrification and the conservation of fuel energy through light weight construction, of the mass transportation vehicles such as the buses and the railroad coaches. Considerable quantities of the metal are required for the manufacture of utensils. The corrosion resistance is yet another virtue. This metal is in severe short supply at present. Thousands of tonnes are being imported year after year, involving expenditure of Crores of Rupees of foreign exchange and causing violent fluctuations in price and demand. The future investments on power generation in the Sixth Plan has to bring manufacture of Aluminium to the absolute forefront. Of this there can be no doubt. The

growth strategies for the first stage have been evolved for your Company and the support of the Financial Institutions, LIC, the Bankers, the Governments of Tamil Nadu and the Centre are forthcoming. On your Company's behalf I would express my gratitude for their support for they have shown a special interest in our revival.

In concluding I must take my time in thanking our customers on whom we have banked heavily and the colleagues on

my Board and all our employees at Malco who have given me their strong unstinted support during this short period. The return on your investment, as early as possible, figures at the top in the Corporate Objectives laid down by me for your Company.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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- ☐ **CHALANS** for depositing the tax deducted at source from salaries to the credit of Government. (Form No. ITNS-191)
- ☐ **ANNUAL RETURNS** of Salaries. (Form No. 24)

REMEMBER :

TDS Number comes handy for linking chalans with Annual Return of Salaries.

TDS Number is different from Permanent Account Number and both are to be quoted.

Please contact the ITO Incharge of Salary TDS Section at your station for obtaining your TDS Number, if it has not yet been communicated to you.

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UNITED INDUSTRIAL BANK LIMITED

Speech of Sri J. N. Biswas, Chairman, United Industrial Bank Ltd. at the Thirty Eighth Annual General Meeting of the Bank held at Calcutta on Friday the 23rd June 1978.



Friends,

I am happy to welcome you to this 38th Annual General Meeting of your Bank. I am sure you have by now received the Directors' Report, the audited Balance sheet of the Bank as on 31st December, 1977 and the Profit and Loss Account for the year ended 31st December, 1977 and with your permission I shall take these as read.

I am glad to inform you that your Bank had another successful year of operation in 1977. The gross income of the Bank increased by Rs 87 lakhs during the year, from Rs 300 lakhs to Rs 387 lakhs, and there was a profit of Rs 22.68 lakhs. This has encouraged your Bank to propose that a dividend be declared at the rate of 7½ per cent per annum, subject to tax, which is the highest in the history of the Bank. I am glad to announce that Reserve Bank of India has accorded its approval in the matter. I feel confident that, in the coming years, with the support of you all we shall be able to improve our earnings still further.

During the last few years the Bank has been maintaining a growth rate of about 30 per cent in deposits, which has been much higher than the average achieved by all scheduled commercial banks. Last year the total deposits of the Bank (excluding inter-bank deposits) increased by Rs 10.63 crores, from Rs 35.23 crores to Rs 45.86 crores; the rate of growth worked out to 30.2 per cent, compared to 17.7 per cent achieved by all scheduled com-

mercial banks. This satisfactory rate of growth could be achieved primarily because of the success of the different popular deposit schemes introduced by us and wholehearted devotion and involvement of members of staff. Our aim has been to attract basic deposits from common people by providing them with better services and also by opening branches in areas where we can serve them properly. We are glad that we have succeeded in mobilizing deposits from hitherto unexplored areas and also in channelling the savings of the community into productive areas, thereby contributing in our modest way to the economic development of this part of the country, particularly West Bengal where we have a concentration of our business. I am glad to inform you that the State Government has rewarded our efforts by according us a special status—a status equivalent to that of the nationalized banks for obtaining deposits from the State Government and its Undertakings. Such recognition has not been given so far by the State Government to any other non-nationalized bank operating in West Bengal. We are sure, we would receive similar support from the Governments of the other States, especially in the Eastern Region.

In our advances portfolio, similarly, there has been a marked shift of emphasis from bigger to smaller borrowers, which has been reflected in the rapid rise in our lending to the neglected and priority sectors.

We have simultaneously been able to improve the quality of our advances. Our total advances increased by 43 per cent in 1977 to stand at Rs 28.38 crores at the end of the year. Our credit-deposit ratio has much improved over the past few years, and at present stands at 66.01 per cent. Our endeavour to step up the rate of utilization of our resources has been encouraged by institutions through their support of our Participation Certificates. We are glad that we have succeeded in improving the Bank's position in this regard considerably, and that no longer we are required to lend in the call money market.

Our advances to the neglected sector went up during the last three years from Rs. 1.85 crores to Rs. 7.54 crores, and currently account for 27 per cent of our total advances. Our advances to small-scale industries stand today at Rs. 5.63 crores, and, in keeping with the policies of the Central and State Governments, we propose to specialize in financing this sector which is so vital from the point of employment generation. A number of small-scale industrial units have already been set up with our financial assistance, and we have plans to go in a big way in this sphere in future. This strategy, even as it is designed to provide support to the policies of the State Government, would, we hope, ensure the viability of our rural and semi-urban branches. We have also taken up the nursing of sick industrial units as soon as they

start showing indications of sickness. We have provided finance and management to such units to enable them to attain viability as early as possible. Some hopeful indications in this regard are already discernible and we expect that there will be further satisfactory results over a period of time.

From 1st October, 1977, the Bank voluntarily adopted the Differential Rate of Interest scheme, under which, as you are aware, the banks have been called upon to render financial assistance to the poorest amongst the poor at a nominal rate of interest of 4 per cent per annum. We hope that in the years to come when our assistance under the Scheme to the weaker sections would increase substantially, we shall be rewarded with their wholehearted support for our growth.

In another priority area, viz., exports, our advances have been rapidly increasing. Our International Division, which has been specially created for this purpose, has substantially contributed towards the Bank's earnings. Last year the turnover of this Division, in various foreign currencies was more than Rs 4 crores, and we hope that in the coming years it will be able to attain a still higher return.

The number of our branches increased three-fold during the last three years, from 27 to 81. As many as 52 of our existing branches are located in rural and semi-urban areas of the Eastern Region, particularly in West Bengal. We propose

to continue to lay emphasis on the coverage of the unbanked centres in the Eastern Region in our future branch expansion programme. We have also opened branches in major cities and the State capitals like Bombay, Delhi, Kanpur, Gauhati and Ranchi to facilitate better customer service and maintain proper banking liaison with the other parts of the country, specially the important financial centres. These centres would also provide the base for our future expansion in the different States.

To be able to discharge properly our obligations in different spheres, we have felt the need for suitably equipping ourselves. Accordingly, we requested the National Institute of Bank Management to assist us in planning an appropriate reorganisation for our Bank. I am glad to inform you that we have almost completed the administrative reorganisation of the Bank on the lines suggested by the NIBM. The Top Executive and the Senior Management positions have been filled. We are also appointing experienced Officers from other banks and

financial institutions. Moreover, Trainee Officers are being appointed from fresh first class University graduates.

To enable our officers and staff, specially the fresh recruits, to take up the challenge of development, we have thought of various types of in-service training. Apart from our availing of the facilities of our Training College, an In-company Training Course in Credit Appraisal was conducted in March 1978 in Calcutta by the Bankers' Training College of the Reserve Bank of India, in which 30 of our officers participated. Such an In-company Training Course was the first of its kind organised by our Bank. We have, at the same time, been taking steps to decentralize our administration so that the decision-making process is expedited and the staff at the middle and lower levels are groomed for accepting larger responsibilities.

It may not be out of place to mention some of the difficulties we have been facing in the discharge of our day-to-day business. The discriminatory attitude against the non-nationalised banks persists to

this day in many areas. The advantages of several statutory or other deposits are denied to us. Certain provisions of the Income-Tax Act and Rules are also impeding our progress. The exemptions from the capital gains tax granted in respect of deposits with the public sector banks have also been denied to the private sector banks. We feel very strongly about such discrimination in spite of clear assurances to the contrary given earlier and statements made from time to time to support small banks and to enable common men to have an easy access to such banks. Another difficulty that we have been facing is the extreme delay in creating equitable mortgages under the Urban Land Ceiling Act. We appeal to the authorities concerned to exempt at least the mortgages created by the banks for the purpose of loans from the provisions of this Act.

As far as the impact of the reduction in lending and deposit rates is concerned, the average reduction in our case works out to more than 1 per

cent in all classes of borrowing accounts. We hope the Reserve Bank would reconsider its measure and allow the small banks to have better rates for both deposits and advances. The reduction in the rates presents a big challenge to us. I am confident however, that, as in the past, we shall be able to rise to the occasion and meet the challenge adequately.

I hereby place on record our sincere gratitude and thanks to all officers and the staff of the Bank who have given unstinted co-operation all these years in the development of the Bank. I am also grateful for the co-operation and help I have received from my colleagues on the Board and the Reserve Bank of India. I also take this opportunity to thank sincerely all our depositors, clients and you, Shareholders of the Bank. I hope that with your good wishes and co-operation, the Bank will scale even greater heights in the coming years.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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COMPANY AFFAIRS

TOMCO Pays More

THE TATA Oil Mills Co. has reported improved working results for the year ended March, 1978. The turnover and gross profit are higher than in the previous year, though margins are under pressure. Equity dividend has been raised from Rs 3 to Rs 3.75 per share of Rs 25 each and is covered over one and a half times by the year's earnings. To strengthen and augment the longterm financial resources for its growing operations, the company proposes to make a rights issue of 10.5 per cent mortgage debentures for Rs 2.21 crores.

According to the preliminary statement, income has risen by 32.4 per cent from Rs 79.23 crores in 1976-77 to Rs 104.92 crores in 1977-78. With the gross profit increasing by 27.7 per cent from Rs 2.89 crores to Rs 3.69 crores, the ratio of gross profit to turnover has marginally come down from 3.8 per cent to 3.5 per cent. After providing Rs 99.22 lakhs (Rs 1.03 crores) for depreciation, Rs 30 lakhs (Rs 6.50 lakhs) for investment allowance and Rs 1.16 crores (Rs 1.00 crores) for taxation, the net profit works out higher at Rs 1.23 crores (Rs 79.41 lakhs).

The company has changed the method of calculating depreciation and as a result a sum of Rs 2.62 crores has been drawn back from previous year's depreciation. The disposable surplus amounts to Rs 4.05 crores (Rs 79.41

lakhs). Preference dividends will absorb Rs 4.60 lakhs (same) and equity dividends Rs 66.22 lakhs (Rs 52.98 lakhs). A sum of Rs 3.35 crores (Rs 2 lakhs) has been transferred to general reserve.

Alembic Chemical Works

The sales of Alembic Chemicals Works Company Ltd. have increased by nearly nine per cent from Rs. 26.40 crores to Rs. 28.80 crores. This percentage increase is low compared to the increase in sales achieved in earlier years. One major handicap according to its chairman, Mr R. B. Amin, was the shortage and irregular supplies of major raw materials like penicillin, streptomycin, noscapine, aspirin, prednisolone and vitamin C. The company was particularly hard hit by these shortages because of the predominance of antibiotics in its product mix. The chairman said that the production of antibiotics entails many problems in terms of heavy initial investment, complexities of technology, processes and equipment as well as the need to deploy larger numbers of qualified and skilled personnel.

The company regarded all these problems as opportunities and as a fitting challenge. It increased the volume of existing products and introduced newer and more effective antibiotics. The chairman referred to the reports according to which certain categories of drugs are to be reserved for the public sector factories.

This step, he said, would not be in the interest of the national economy. In this kind of situation, he asked, what would be the role in future of national sector companies which had already developed expertise and facilities to manufacture high technology drugs like antibiotics?

Mr Amin referred to the new policy of government on drugs and pharmaceuticals proposed to be finalised and implemented by 1979. Under this policy, he said, licensing for manufacture of basic drugs and formulations seems likely to continue for units like the Alembic Chemicals. Production and introduction of new items by national companies might be made easier.

An area in which Mr. Amin would seek adjustment and accommodation is the limit of allowable expenditure on advertising and promotion. The pharmaceutical industry he said, was essentially market-oriented and the amendment in the Finance Act, 1978 providing for disallowance of a certain percentage of expenditure incurred by an assessee on advertisement, publicity and sales promotion in India would affect it adversely. The chairman said that as his company was trying to reach out to far-flung and less developed parts of the country, the cost of commercial communication would rise sharply.

Hindustan Everest Tools

Hindustan Everest Tools Ltd., have reported for the year 1977-78 a gross profit of Rs 30.50 lakhs as against Rs 30.08 lakhs last year. After providing for depreciation Rs 7.45 lakhs (Rs 5.74 lakhs last year) and investment allowance at Rs 3.20 lakhs, the net profit before tax works

out to Rs 19.95 lakhs (Rs 20.84 lakhs last year) out of which provision for tax at Rs 3 lakhs (Rs 6 lakhs last year) has been made. The directors report that the working in most part of the year remained disturbed due to slow-down, tool-down and an illegal strike for 15 days, which, along with unproductive expenses incurred during the disturbed working and other factors, affected the profitability adversely.

The turnover of the company during the year was Rs 3.17 crores as against Rs 2.51 crores last year, registering an increase of 26.29 per cent. The exports increased from Rs 1.86 crores to Rs 2.03 crores and inland sales from Rs 0.66 crores to Rs 1.13 crores.

Bonus Shares

The directors of the company, in their meeting held on June 28, 1978, have proposed a dividend of Rs 1.80 per share of Rs 10 each, as against Rs 1.30 declared last year. The proposed dividend, if approved by the shareholders, will absorb Rs 4.49 lakhs. The company considered issuing of bonus shares but was unable to do so due to the available reserve for capitalisation not being sufficient according to the new guidelines issued by the department of Company Affairs.

The company's phase-I of modernisation programme has been completed and good progress has also been made by the company's research & development cell. The new products developed by the company have been introduced in the world's sophisticated markets, such as the USA, West Germany, France, etc. The consultancy division of

the company is considering requests for collaboration from various developing countries and transfer of technology to the skilled rural artisans in Nagaur and Rampur. The company's proposal for setting up an ancillary complex under the rural industrialisation scheme has been accepted by the government of Haryana. The project details are being worked out and the work is progressing satisfactorily.

According to the management the production and turnover of the current year is likely to be substantially higher than earlier years and the management has set very ambitious targets, although the recent withdrawal of replenishment licences, increase in electricity rates, withdrawal of weighted deduction on export market development expenses and the uncertain parity rate of the US \$ will have substantial adverse effect on the company's profitability.

Mindia Chemicals

The chairman of Mindia Chemicals, Mr S.P. Adarkar, feels that the company will fare better in 1978 with a sizeable fall in losses. His hopes are based on the likely sharp fall in the company's interest burden following a "financial package deal" to be entered shortly with the institutions and banks which have lent funds, the sustained revival in the rubber goods market leading to better capacity utilisation and the management's efforts to reduce costs.

Mr Adarkar told shareholders at the company's annual meeting recently that the company's promoters and financial and technical collaborators, Monsanto of America were "not interested in disposing of their shareholdings in the company." He said that there was no

truth in the rumours that the company's management was likely to change as the collaborators were negotiating for the sale of their holdings.

Mr Adarkar disclosed that the collaborators had agreed to offer an interest-free loan of Rs 4 million to help lessen financial problems, to be repaid after all other obligations had been cleared. This was part of the financial package which was likely to materialise shortly.

Mr Adarkar said that the company's performance did not come up to expectations largely because the growth in consumption of rubber chemicals was far less than the earlier projections. The demand for rubber chemicals slackened after 1974 following recession in the tyre industry. Again, the interest burden and depreciation costs were higher compared to those of the other two rubber chemical plants which were set up a few years ago. The company's predecessors Monsanto Chemical of India, which was a pioneer in the field had about 78 per cent of the market share. The company's share of the market is currently placed at about 36 per cent in its product range, which is expected to go up to about 50 per cent in the current year.

Mafatlal Industries

The sales (including excise duty) of Mafatlal Industries have gone up by Rs 6.83 crores to Rs 54.38 crores. There has been a marginal increase in the gross profit to Rs 5.21 crores. The equity dividend is proposed to be maintained at Rs 22 per share of Rs 125 each. The new shares allotted in 1976 rank for full dividend. The board has recommended an issue of bonus shares in the proportion of one share for

every five equity shares held and this is subject to the sanction of the government.

The provision for depreciation has been stopped up from Rs 1.35 crores to Rs 1.47 crores and the investment allowance reserved absorbed Rs 28.15 lakhs (Rs 57 lakhs). The profit before tax comes to Rs 3.45 crores (Rs 3.28 crores). The provision for taxes amounts to Rs 1.37 crores against Rs 1.22 crores, leaving the profit after tax at Rs 2.08 crores (Rs 2.06 crores).

The allocation for general reserve is lower at Rs 80 lakhs against Rs one crore and that for debenture redemption reserve has been maintained at Rs 10 lakhs. The proposed dividends will absorb Rs 1.18 crores (Rs 1.06 crores) leaving a sum of Rs 5.43 lakhs to be carried forward against Rs 3.48 lakhs brought in.

Alembic Glass

The production and sales of Alembic Glass Industries Ltd continued their upward trend in 1977. It achieved a turnover of Rs. 9.36 crores in 1977 as against Rs. 8.24 crores in 1976—a rise of 13.6 per cent. A significant part of this increase resulted from higher sales of bottles. At the same time pressedware sales also recorded a healthy increase. The marketing situation continued to be extremely competitive throughout the year and against this perspective, the overall sales performance of the company can be regarded as satisfactory.

According to the chairman of the company, Mr. R. B. Amin, efforts for higher efficiency and better utilisation of machines continued and contributed to raising the levels of production during 1977. Costs have been rising in all major inputs but the problems of

energy inputs have been causing considerable anxiety to the management.

Mr. Amin referred to the price escalation by the ONGC of the gas supplied by it to the company and other users and the protest they had recorded at the one-sided and negative manner in which this matter was handled. Eventually they were assured supplies up to March, 1979 and the price now was raised to the exorbitant sum Rs 504 per 1000 cubic metres from Rs 93 within the past two and a half years.

The chairman referred to the Bangalore unit of the company where also it has been going through a difficult spell because of drastic power cuts and increase in power rate, and reported that some relief had now been given in respect to both these problems. This would help the company to increase its contribution to industrial production in Karnataka.

The company increased its exports from Rs 15.70 lakhs in 1976 to Rs 27.26 lakhs during last year. For the fourth year in succession. The company received an Award and Certificate of Merit from the Chemicals and Allied Products Export Promotion Council.

Standard Mills

The Standard Mills Co. has reported improved working results for the year ended March 1978. Sales, profits and margins—all are higher than in the previous year. Equity dividend has been maintained at 20 per cent, and is covered more than one and a half times by the year's earnings. Besides, shareholders have been rewarded with a bonus issue in the ratio of one new share for every five shares held.

According to the preliminary statement, net sales (after providing for excise duty of

Rs 4.90 crores against Rs 4.49 crores in the previous year) have risen by 9.7 per cent, from Rs 60.94 crores in 1976-77 to Rs 66.84 crores in 1977-78. With the gross profit rising by Rs 16 per cent, from Rs 6.07 crores to Rs 7.04 crores, the ratio of gross profit to sales has improved from 10 per cent, to 10.5 per cent.

After providing Rs 2.73 crores (Rs 2.75 crores) for depreciation, Rs 58 lakhs (Rs 36.69 lakhs) for investment allowance and Rs 1.94 crores (Rs 1.42 crores) for taxation, the net profit works out at Rs 1.78 crores (Rs 1.52 crores). After some adjustments, the disposable surplus amounts to Rs 2.10 crores (Rs 1.72 crores). Equity dividends will absorb Rs 1.08 crores (Rs 1.01 crores) since last year dividend on the 39,020 shares was paid pro rata for the period January to March 1977. Preference dividend will claim Rs 68 lakhs (same). A sum of Rs 70 lakhs (Rs 50 lakhs) has been transferred to general reserve.

The earnings per equity share works out around Rs 43, providing a cover of over two times to the dividend of Rs 20.

Western India Spinning

Western India Spg. and Mfg. Mills has turned the corner recently with its working for the five-month period ended May showing a profit of Rs 10 lakhs after providing for depreciation and interest charges. The performance up to the end of October is expected to be even better with the management hoping for a monthly profit of about Rs 3 lakhs. Quite possibly, the mill will finish its operations for 1978-79 with sales of about

Rs 7 crores and a profit of Rs 30 lakhs.

Taken over by the Maharashtra State Textile Corporation in June 1977 after the company owning it went into liquidation, the mill was expected to show a loss of about Rs 5 lakhs per month for the first six months and the results for the five-month period ended December 1977 did show a loss of Rs 24.14 lakhs. But the working started improving from the beginning of the current year.

The new management has formulated a crash modernisation programme involving a capital expenditure of Rs 78 lakhs to be implemented with financial assistance from IDBI. The proposal is under government consideration.

Corn Products

The outlook for Corn Products Company (India) Ltd., which has come out with an equity issue and an offer for sale of shares according to Mr M. Macdonald, chairman, for bringing down the foreign equity holding to 40 per cent, is considered good. After completing the process of Indianisation, the company will be free from the restriction imposed by FERA and it may diversify into other lines of manufacture.

Corn Products is presently a wholly owned subsidiary of CPC International Inc., a three billion dollar corporation engaged in the manufacture and marketing of a variety of food products. The company is offering for public subscription 2.90 lakh equity shares of Rs 10 each at par. CPC International is offering for sale 1.60 lakh equity shares of Rs 10 each at par. After the public issue, the share capital

of the company will rise to Rs 75 lakhs.

While the shares offered for sale are eligible for the full dividend that may be declared for 1977-78 only a pro-rata dividend will be available in respect of shares to be issued in terms of the prospectus. Of the share offer for sale 70,000 shares are reserved for firm allotment and only the balance of 90,000 shares are offered for sale to the Indian public.

The total income of the company rose from Rs 2.37 crores in 1972-73 to Rs 3.33 crores in 1976-77. The income for the first four months of the current year is placed at Rs 1.18 crores. The profit after tax has gone up from Rs 2.92 lakhs in 1972-73 to Rs 8.65 crores in 1976-77. The net profit for the first four months of 1977-78 is placed at Rs 3.44 lakhs. The company paid a dividend of 10 per cent for 1976-77. Indications are that it will be possible for the company to pay this rate of dividend for the current year on the increased capital.

Increased Dividend by American Express

The board of directors of American Express Company has increased the regular quarterly dividend to 40 cents per common share from 35 cents. This 14 per cent increase, payable August 10, 1978, to shareholders of record July 7, raises the company's annual dividend rate to \$1.60. The board's action was the 12th increase in dividends declared in the past eleven years. "Continued strong earnings growth and good future prospects warrant another dividend increase at this time," said Mr James D. Robinson III, American Express chairman. Since 1974, American Express has increased the annual divi-

dend rate from \$0.60 to \$1.60, an increase of 167 per cent.

Mafatlal Fine

The Mafatlal Fine Spinning and Manufacturing Co has maintained the dividend for the year ended March 1978 at 17 per cent and in addition proposed a one-for-five bonus issue. The proposed dividend is covered nearly one-and-a-half times by the year's earnings.

Sales (net of excise duty of Rs 4.56 crores against Rs 4.23 crores) are up by 4.7 per cent from Rs 62.19 crores to Rs 66.79 crores in 1976-77 to Rs 69.83 crores in 1977-78. The gross profit after providing Rs 53.04 lakhs (nil) for bonus, is, however, down by 10.9 per cent from Rs 377.09 lakhs to Rs 339.95 lakhs.

After providing Rs 115.36 lakhs (Rs 135.98 lakhs) for depreciation, Rs 41 lakhs (Rs 21 lakhs) for investment allowance, Rs 83 lakhs (Rs 126.50 lakhs) for taxation and after making certain adjustments, the disposable surplus amounts to Rs 123.03 lakhs against Rs 96.67 lakhs in the previous year. The preference and equity dividends will claim Rs 70.71 lakhs (same). A sum of Rs 10 lakhs (nil) has been transferred to debenture redemption reserve and Rs 30 lakhs (Rs 10 lakhs) to general reserve.

The controlled cloth obligation during 1977-78 cost the company about Rs 92 lakhs. Exports were lower at Rs 4.90 crores against Rs 7.15 crores in the previous year. The renovation of the textile division spread over a period of 2-3 years is estimated to cost Rs 5 crores to Rs 6 crores. The renovation of the chemical division to be completed by mid-1979 will involve an outlay of Rs 2 crores. The com-

pany's working during the first three months of the current year is stated to be better than in the same period last year.

Paper Mill Plant

The directors of Paper Mill Plant and Machinery Manufacturers have proposed to maintain the equity dividend at 13 per cent for the year ended March 31, 1978 despite a drop in the gross profit from Rs 20.57 lakhs in 1976-77 to Rs 18.97 lakhs—a fall of 7.2 per cent. After providing Rs 4.28 lakhs (Rs 6 lakhs) for depreciation and Rs 8.60 lakhs (Rs 8.68 lakhs) for taxation, the profit available for disposal works out at Rs 6.10 lakhs against Rs 5.90 lakhs in the previous year. Of this general reserve gets Rs 8.7 lakhs (Rs 9.6 lakhs) and the dividend Rs 4.93 lakhs. During the year the company executed orders for machinery and services worth Rs 98.18 lakhs against Rs 1.89 crores in the previous year. Since the company was able to execute a major portion of the works in factory itself in contrast with the previous year when it had to buy most of the components from outside, the margin of profits was better. The company has on hand orders worth Rs 52 lakhs. It has been receiving inquiries from prospective customers and negotiation for supply of paper mill machinery are in progress.

The company has entered into an agreement with Arrow Projects of the UK which is carrying on business as consulting engineers. With the assistance of the overseas collaborators, the company has executed plant orders for M.G. Kraft Paper machines of different capacities. The directors feel confident that with the assistance of the col-

laborator, the company will be able to manufacture more sophisticated paper machines of larger sizes and make major import substitution of paper machine components such as auction rolls and stonite rolls. It will enable the company to procure export orders for equipments and to build sophisticated pulp drying machines for the rayon industry.

Adarsh Chemical

Mr C. K. Patel, chairman, Adarsh Chemical and Fertilisers Ltd, Udhna told at the 20th annual general meeting recently that production and sales of maleic anhydride had not yet stabilised. The management was awaiting proper steps from the government in this connection.

The fertiliser division was performing very well. It had achieved a production of 25,500 tonnes of super-phosphates up to June 20, 1978, as against 21,630 tonnes during the same period last year. The company was expected to achieve the production target of 65,000 tonnes of single superphosphate in this year.

The company's product had been well established. A large quantity would be marketed this year. The company had applied for doubling the present capacity of single superphosphate. This could be created within a short time of the issuance of the licence. No additional capital was proposed to be raised for the purpose, since expansion was to be financed from internal resources and term loans.

There were no difficulties in getting the principal and materials: rock phosphate and benzene. The company was poised for further growth.

and a bright future said Mr Patel.

Company News in Brief

Shreeniwas Cotton Mills Ltd, Bombay has reported improved working in the year ended December 31, 1977. It made a gross profit of Rs 55.83 lakhs, against a loss of Rs 18.55 lakhs in the previous year. The turnover increased from Rs 2077.95 lakhs to Rs 2232.11 lakhs. The profit after the provision of Rs 47.64 lakhs (Rs 52.05 lakhs) for depreciation and (nil) for taxation amounts to Rs 8.19 lakhs against loss of Rs 70.60 lakhs. After providing Rs 35 lakhs. (nil) for the payment of bonus for 1976, the total loss amounts to Rs 26.81 lakhs.

Modi Industries proposes to set up a new undertaking for the manufacture of steel tyre cord wire, steel tyre bead wire and hose wire in a backward area of Uttar Pradesh. The company—which is proposed to be styled as Modi Special Wires Ltd—will have annual installed capacity of 1,500 tonnes of steel tyre cord wire, 1,500 tonnes of steel tyre bead wire, and 300 tonnes of hose wire. The estimated project outlay of Rs 6 crores is proposed to be financed by a public issue of Rs 1.20 crores, term loans of Rs 4 crores and investment by collaborators of Rs 32 lakhs and by the promoters (Modi Industries) of Rs 48 lakhs. An application is being made to the government for necessary clearance under the Monopolies and Restrictive Trade Practices Act.

Vickers Sperry of India has turned out marginally better results for the year ended March 1978. The turnover has risen by about 13 per cent

from Rs 3.56 crores in 1976-77 to Rs 4.02 crores and the gross profit has increased fractionally from Rs 87.55 lakhs to Rs 88.27 lakhs. The directors have maintained an equity dividend of 15 per cent absorbing Rs 19.80 lakhs (Rs 18.82 lakhs).

J. K. Chemicals has reported a fall in its production of sodium hydrosulphite to 1,951 tonnes during the first five months of 1978 from 2,605 tonnes in the corresponding period of 1977. The setback in production is because of the labour unrest and a strike earlier in the year.

The management, however, hopes to make the shortfall in production during the coming months. The company's chairman, Mr Vijaypat Singhania told the shareholders at the annual meeting, recently that the company hoped to close the current year with an increase of about 10 per cent in its production. This would have favourable impact on the company's profitability, he said.

Borosil Glass Works has come out with good result for the year ended December 1977 with 46 per cent higher profits over that of 1976. However, the board has recommended a final dividend of 25 paise per share which, along with the interim dividend of 75 paise per share paid earlier, makes a total of rupee one per share, the same as last year.

According to the preliminary statement sales were up by 15 per cent to Rs 5.70 crores (Rs 4.96 crores). Pre-tax profit was Rs 1.11 crores (Rs 76 lakhs) after adjusting Rs 8.24 lakhs for depreciation (Rs 8.39 lakhs) and prior year's adjustments Rs 86,000 (Rs 30,000).

Price control and impact of excise duty on selected industries

RECORDS AND STATISTICS

The National Council of Applied Economic Research (NCAER) has recently released a report which deals with the subject of price control and impact of excise duty on selected industries.

THE REPORT on Price Control in Selected Industries traces historically the evolution of price control and the philosophy and practice of price control in India. While the analytical part of the study examines the price control and its impact on different social groups, viz, administration, industry, trade and consumers, the historical part traces the operation of price control and its impact on seven individual industries that were subject to price control at one time or the other. These include steel, cement, vanaspati, controlled cloth, nitrogenous fertilisers, tyres and paper.

Ineffective Mechanism

The main conclusion that emerged from the study was that price control at times of shortages was ineffective in increasing the supplies. Price control adopted as a temporary measure, however, appealed to those who saw themselves as guardians of the vulnerable sections of the society.

A basic factor that led to the failure of price control was that it did not create adequate conditions for its successful operation. These conditions include:

- reasonable return to producers of raw materials and finished products,
- speedy acceptance of price escalation and,

—an effective distribution system.

Price control, however, does not offer any long term solution. Price control by itself could not offer any incentive to bridge the gap between demand and supply. In fact, in some industries such as cement, controls continue to exist for over 30 years.

Parallel Economy

The report further concludes that in the absence of any definite steps to remove shortages that caused the imposition of price control, the government found it convenient to perpetuate price control with the resulting side effects. These include generation of considerable sums of black money leading to the creation of parallel economy and an attraction to a class of investors to the price controlled industries whose objective was to generate and use black money.

The report comes to a firm conclusion that to be effective price control must be a short-term measure introduced for a fixed period of time, at the end of which it should lapse unless there are basic factors that would prompt its perpetuation.

The objective of this study was to analyse the impact of excise duty on selected industries namely steel, aluminium,

cement, paper, airconditioners, refrigerators, tyres and commercial vehicles. The impact of the excise duty was ascertained from three angles:

- measurement of the incidence of excise,
- apportioning the share between different contributing factors to the growth of excise revenue,
- the impact of excise on production, sales and profit.

After making a broad analysis of the growth and operation of excise revenues, the study of individual industries revealed the following conclusion:

Generally, production in all industries with the exception of airconditioners increased even though the rate of growth of production in each case was

lower than the rate of excise realisation.

The study examined the three factors, changes in production, changes in price and changes in excise rate, that contributed to the increase in excise revenue. Except in the case of steel and cement changes in production contributed the most to the increase in excise revenue.

The study also estimated the element of excise as a proportion to ex-factory price taking into account the excise contribution, in the final product the inputs and inputs of inputs. (Table I).

The proportion of excise to ex-factory price varied from 108 per cent for airconditioners to 22 per cent for commercial vehicles. The cascading effect

TABLE I
Elements of Excise in the Ex-factory Price as a Percentage

Industry	1975-76		
	Excise at all three stages	Excise on final product only	Cascading or excise on inputs and inputs of inputs
Steel	32.5	30.0	2.5
Aluminium	77.5	72.0	5.5
Cement	42.6	39.0	3.6
Paper	30.7	30.0	0.7
Refrigerators	46.9	40.0	6.9
Airconditioners	107.7	100.0	7.7
Tyres			
—Car rayon	60.9	55.0	5.9
—Truck rayon	60.6	55.0	5.6
—Truck nylon	57.2	55.0	2.2
Commercial Vehicles	21.9	12.5	9.4

of excise varied from 9.5 per cent for commercial vehicles to 0.5 per cent for paper.

The study also revealed that compared to 1972 the excise duty has increased for all the industries as can be seen from Table II.

Excise is only one element in indirect taxes. Other indirect taxes include sales-tax, customs duty, duty on electricity and royalty. Table II gives the proportion of indirect taxes to ex-factory price for the year 1972. Assuming that these duties had not been reduced in 1975-76 as compared to 1972, juxtaposing the element of excise in the year 1975-76, one could perhaps visualise the magnitude of tax element in the consumer price.

The information available on profits of limited companies indicate that profits had not increased in proportion with production.

After examining the indivi-

dual industries, the study had thrown up certain basic issues for consideration. These include optimum levels of excise duty, alternate to excise duty for consumer durables and cascading effect of excise.

The study had indicated that the warning signals of an over-excised industry apart from the fall in production could be fall in sales, increase in unutilised capacity and rising share of waste. In the past government has reduced excise duty from time to time to help industries facing difficult market conditions.

The study also suggested that revenue element could be protected if excise was reduced and a fee levied on the user of a particular consumer durable.

The cascading effect of excise was due to taxation of inputs and this could be avoided and hardships removed if rule 56A of Central Excise Rules which provided exemption from tax

on inputs for some selected industries could be extended to cover some more commodities. The study estimated, broadly, that the complete elimination of all excise duties on inputs would result in a loss of revenue of Rs 400 crores per year.

The study on the airconditioner and refrigerator industries was elaborated subsequently by obtaining more

information from the industry and after, an in-depth analysis, came to the broad conclusion that high excise duties on air-conditioners and refrigerators partly restricted sales, profit and expansion and had led to a situation of stagnation. The report also indicated that a reduction in duty would perhaps lead to an increase in sales hereby compensating, partly, losses in revenue.

The Delhi Cloth & General Mills Co. Ltd.

NOTICE

It is hereby notified for the information of the public that The Delhi Cloth & General Mills Co. Ltd., proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under Sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for the establishment of a new manufacturing activity for the production, supply, distribution or control of Portland Cement with an installed capacity of 7 lakh TPA and estimated turnover of Rs 14.00 crores. Other particulars of the proposed undertaking are as under:—

1. Name of the proposed undertaking. : The proposed manufacturing activity will be undertaken by The Delhi Cloth & General Mills Co. Ltd.
2. Names of persons or authority/ : The Delhi Cloth & General Mills Co. Ltd. will be the proprietors of the proposed manufacturing activity and is managed by Managing Directors.
Where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking,
3. Capital structure of the applicant/person of authority and of the proposed undertaking. : The capital structure of The Delhi Cloth & General Mills Co. Ltd. as on 30th June, 1977
Authorised : Rs 50,00,00,000 issued, subscribed:
Preference Rs 2,17,23,550
Equity : Rs 17,40,32,363
Total : Rs 19,57,55,913
4. Proposed location of the new undertaking. : Tehsil : Rewa
District : Rewa
State : Madhya Pradesh
5. Brief outline of the cost of the project, the scheme and source of finance. : The estimated cost of the project will be about Rs 42.00 crores, which is proposed to be financed by partly by company's own resources, partly by issuing shares, and partly by borrowings from financial institutions and banks.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

(ONKAR NATH)
SECRETARY

Regd. Office; Bara Hindu Rao, Delhi-110 006
Dated this day 1st July, 1978.

TABEL II

Magnitude of Tax Element in the Consumer Prices

Industry	Total indirect taxes as a percentage of ex-factory price	Excise as per- centage of ex- factory price	
	1972	1972	1975-76
Steel	37.1	23.9	32.5
Aluminium	64.3	46.2	77.5
Cement	36.6	18.9	42.6
Paper	28.8	13.1	30.7
Refrigerators	—	—	48.9
Airconditioners	—	—	107.7
Tyres			
—Car rayon	82.9	56.4	60.9
—Truck rayon			60.6
—Truck nylon			55.0
Commercial vehicles	48.1	18.3	21.9

Wholesale prices

The general index of wholesale prices (Base 1970-71=100) stood at 182.2 (provisional) during May, 1978 as against 181.2 (provisional) for April, 1978 and 187.5 for May, 1977. At this level, the 'All Commodities' index was higher by 0.6 per cent when compared with April, 1978 but was lower by 2.8 per cent when compared with May, 1977.

DURING THE month under review 'Primary Articles' advanced by 1.6 per cent to 180.0 whereas 'Manufactured Products' declined by 0.2 per cent to 174.1. However, the index for the third major group 'Fuel, Power, Light & Lubricants' remained unchanged at its last month's level of 240.5.

Groupwise analysis of price movement of various groups and sub-group is given below:

I. PRIMARY ARTICLES

A. Food Articles

The sub-group index for 'cereals' moved up slightly by 0.1 per cent to 156.1 due to rise in prices of rice and jowar. However, prices of all other cereals declined. The sub-group index for 'pulses' declined by 3.0 per cent to 228.0 on account of lower prices of gram. However, prices of moong, masoor and urad declined. On the whole, the index for 'food grains' receded by 0.6 per cent to 168.2 as against 169.3 for the previous month. The sub-group index for 'fruits & vegetables' advanced by 3.6 per cent to 171.4. The sub-group index for 'milk & milk products' went up by 5.0 per cent to 167.2 owing to rise in prices of milk, ghee and butter. The sub-group index for 'eggs, fish

& meat' declined by 0.4 per cent to 203.8 due to fall in prices of eggs and meat. However prices of fish advanced. The sub-group index for 'spices & condiments' moved up by 2.7 per cent to 183.2. The sub-group index for 'other food articles' rose by 4.6 per cent to 189.5 on account of higher prices of tea and betelnuts. However, price of coffee declined. On the whole, the index for 'food articles' advanced by 1.7 per cent to 172.6 as against 169.7 for the earlier month.

B. Non-Food Articles

Higher prices of raw jute, mesta and raw wool were almost neutralised by fall in prices of raw cotton, with the result the sub-group index for 'fibres' stood at 174.4 as against 174.2 for the earlier month. The sub-group index for 'oilseeds' went up by 1.4 per cent to 161.8 due to higher prices of rape & mustard seed, cottonseed, linseed, copra and mahua seed. However, prices of groundnuts, gingellyseed, niger seed, castorseed, kardiseed and soyabean declined. The sub-group index for other 'non-food articles' advanced by 3.8 per cent to 163.4 due to an increase in prices of tanning materials, raw rubber, lac, logs & timber & bamboo and raw tobacco. However, prices of raw hides and raw skins came down. On the whole, the index for this group rose by 1.6 per

cent to 166.0 as against 163.3 for the earlier month.

C. Minerals

The index for this group stood at 474.7 as against 474.8 for the earlier month. No substantial change was recorded in any of its constituent sub-group.

II. FUEL, POWER, LIGHT & LUBRICANTS

The index for this major group stood stationary at its last month's level of 240.5. No change was recorded in any of its constituents sub-groups.

III. MANUFACTURED PRODUCTS

A. Food Products

The sub-group index for dairy products moved up by 0.2 per cent to 201.4. The sub-group index for 'canned & preserved fruits & vegetables' advanced by 1.8 per cent to 166.6. The sub-group index for 'canned & preserved fish & sea food' stood stationary at its last month's level of 206.0. The index for 'grainmill products' sub-group declined by 1.6 per cent to 164.6 on account of fall in prices of atta and bran. The sub-group index for 'sugar, khandsari & gur' recorded a fall of 3.4 per cent to 141.2 due to lower prices of all the items under this head. The sub-group index for 'sugar confectionary, cocoa & chocolate' moved up by 5.4 per cent to 159.8. Under the 'miscellaneous food products' the index for 'edible oils' advanced by 0.6 per cent to 161.0 as against 160.1 for the earlier month. The sub-group index for 'oil-cakes' also advanced by 3.5 per cent to 198.6. The sub-group index for 'other food products' stood at 192.8 as

against 192.7 for the earlier month. The overall index for 'miscellaneous food products' went up by 1.2 per cent to 169.9. On the whole, the index for 'food products' group declined by 1.3 per cent to 154.9.

B. Beverages, Tobacco & Tobacco Products

The index for this group remained unchanged at its last month's level of 176.6. No change was recorded in any of (constituents) its sub-groups.

C. Textiles

A fall in prices of cotton yarn and handloom & power loom cloth brought down the sub-group index for 'cotton textiles' by 0.6 per cent to 177.7. The sub-group index for 'woollen yarn & textiles' stood at 216.7 as against 216.6 for the last month. The sub-group index for 'silk, art silk & synthetic fibre textiles' declined by 0.3 per cent to 156.1. The sub-group index for 'jute, hemp & mesta textiles' also came down by 4.5 per cent to 150.8. The sub-group index for 'textile products n.e.c.' rose by 2.6 per cent to 226.1 due to higher price of coir yarn. On the whole, the index for 'textiles' group declined by 0.9 per cent to 173.9.

D. Paper and Paper Products

The index for this group stood stationary at its last month's level of 190.7.

E. Leather and Leather Products

The index for this group moved up by 2.4 per cent to 240.8 as against 235.2 for the earlier month. The sub-group index for 'tanned & cured finished leather' advanced by 2.9 per cent to 255.4 on account of higher prices of hides tanned

* Throughout the report variations in monthly index for May 1978 have been compared with the monthly index for April, 1978.

& leather belting and sheep & goat skins. The sub-group index for 'footwear & other leather products' remained unchanged at its previous month's level of 192.7.

F. Rubber & Rubber Products

The sub-group index for 'tyres & tubes' advanced by 2.6 per cent to 167.3 due to higher prices of tyres and tubes. The sub-group index for 'other rubber products' moved up by 1.4 per cent to 175.7 due to an increase in prices of camel back and hoses. On the whole, the index for this group rose by 2.4 per cent to 18.86 as against 164.9 for the earlier month.

G. Chemicals & Chemical Products

The sub-group index for 'basic industrial chemicals' went up by 1.9 per cent to 201.8 due to higher prices of soda ash, liquid chlorine, zinc oxide, oxygen and acetylene. The sub-group indices for 'fertilisers' and 'insecticides' remained unchanged at their last month's levels of 176.0 and 231.1 respectively. The sub-group index for 'paints & varnishes' moved up slightly by 0.1 per cent to 203.6. The index for 'drugs & medicines' stood at 136.2 as against 136.3 for the previous month. The sub-group index for 'cosmetics, soap & detergent' advanced by 1.8 per cent to 183.2, owing to an increase in prices of soap, powder talc/face, cream/snow, synthetic detergent and tooth powder. The sub-group index for 'inedible oils' receded by 0.4 per cent to 146.2 on account of lower prices of castor oil. The sub-group index for 'synthetic resins/rosins, & plastic materials' advanced by 0.7 per cent to 167.6. The sub-group index for 'dyestuff & other chemicals'

n.e.c. also went up by 0.7 per cent to 191.4 due to an increase in dyeing materials and naphthols. On the whole, the index for this group moved up by 0.6 per cent to 175.1 as against 174.0 for the earlier month.

H. Non-metallic Mineral Products

The sub-group index for 'structural clay products' moved up by 0.4 per cent to 207.7 as against 206.9 for the last month. The sub-group index for 'glass & glass products' advanced by 5.9 per cent to 232.6 on account of higher prices of sheet glass and tumblers. The sub-group index for 'earthen ware & earthen pottery' declined slightly by 0.2 per cent to 255.5. The sub-group index for 'cement, lime & plaster' stood stationary at its last month's level of 187.6. The sub-group index for 'non-metallic mineral products' stood at 206.0 as against 206.1 for the earlier month. On the whole, the index for this group went up by 0.9 per cent to 204.1 as against 202.2 for the earlier month.

I. Basic Metals, Alloys & Metal Products

The index for this group rose by 0.2 per cent to 197.0 as against 196.6 for the previous month. The sub-group index for 'basic metals & alloys' went up by 0.2 per cent to 197.5 due to an increase in prices of iron, steel & ferro alloys (+0.3%). The sub group index for 'metal products' recorded a rise of 0.2 per cent to 195.0.

J. Machinery & Transport Equipment

Under 'machinery & machine tools' the index for 'non-electrical machinery' went up by 0.8 per cent to 184.0. The in-

dex for 'electrical machinery' also rose by 0.4 per cent to 168.1. Consequently the overall index for 'machinery & machine tools' sub-group advanced by 0.6 per cent to 177.8. The sub-group index for 'transport equipment' rose by 1.2 per cent to 178.8 owing to an increase in prices of motor vehicles & parts (+1.3% to 185.1) and motor cycles, scooters, bicycles & parts (+0.4% to 150.0). On the whole, the index for this group

moved up by 0.7 per cent to 178.0 as against 176.7 for the earlier month.

K. Miscellaneous Products

The index for this group stood at 183.5 as against 183.6 for the earlier month. The sub-group index for 'wood & wood products' declined by 0.2 per cent to 188.2. The sub-group index for 'other manufacturing industries n.e.c.' stood stationary at its last month's level of 182.0.

FICCI AWARDS, 1978

FICCI invites nominations for its 1978 Awards for excellence in and outstanding contributions to the following :

★ Companies and Institutions :

- Research in Science and Technology
- Rural Development
- Training and placement of disabled persons.

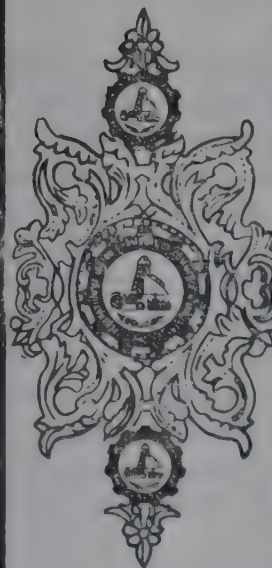
★ Individual Scientist/Technologist:

- Three Cash Awards of Rs. 10,000/- each in
- Life Sciences, including Agriculture;
- Physical Sciences, including Mathematics; and
- Technology with particular reference to its inter-action with industry.

The last date for nominations is Monday, the 18th September 1978

For further details, please write to :

The Secretary-General,
FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY,
Federation House, Tansen Marg,
New Delhi-110 001.



AUDIO VISUAL

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups
(Revised Series)

(Base: 1970-71=100)

Major groups groups & sub-groups	(Revised Series)				(Base: 1970-71=100)	
	Months				Percentage variation in May, 1978	
	Provisional		Final			
	May, 1978	April 1978	March 1978	May 1977	Over April 1978	Over May, 1977
1	2	3	4	5	6	7
ALL COMMODITIES	182.2	181.2	182.9	187.4	+0.6	-2.8
I. PRIMARY ARTICLES	180.0	177.2	179.1	186.8	+1.6	-3.6
A. Food Articles	172.6	169.7	170.8	174.3	+1.7	-1.0
Foodgrains (i+ii)	168.2	169.3	173.6	163.4	-0.6	+2.9
(i) Cereals	156.1	155.9	158.5	158.6	+0.1	-1.6
(ii) Pulses	228.0	235.1	248.6	187.0	-3.0	+21.9
(iii) Fruits & vegetables	171.4	165.4	159.5	190.3	+3.6	-9.9
(iv) Milk & milk products	167.2	159.3	156.6	158.5	+5.0	+5.5
(v) Eggs, fish & meat	203.8	204.5	205.4	190.0	-0.4	+7.3
(vi) Condiments & spices	183.2	178.4	179.7	174.4	+2.7	+5.0
(vii) Other food articles	189.5	181.2	198.2	242.6	+4.6	-21.9
B. Non-food Articles	166.0	163.3	167.0	188.8	+1.6	-12.1
(i) Fibres	174.4	174.2	176.5	199.4	+0.1	-12.5
(ii) Oilseeds	161.8	159.6	160.9	194.4	+1.4	-16.8
(iii) Other non-food articles	163.4	157.4	165.5	171.0	+3.8	-4.4
C. Minerals	474.7	474.8	480.9	470.6	—	+0.9
(i) Matallic minerals	198.2	198.2	192.2	185.0	—	+7.1
(ii) Other minerals	187.5	187.7	187.7	182.6	-0.1	+2.7
(iii) Petroleum crude & natural gas	778.9	778.9	793.9	778.9	—	—
II. FUEL, POWER, LIGHT & LUBRICANTS	240.5	240.5	242.0	232.4	—	+3.5
(i) Goal mining	211.3	211.3	211.3	197.2	—	+7.2
(ii) Mineral oils	272.4	272.4	271.7	267.6	—	+1.8
(iii) Electricity	189.1	189.1	195.6	177.2	—	+6.7
III. MANUFACTURED PRODUCTS	174.1	174.4	176.0	180.3	-0.2	-3.4
A. Food Products	154.9	156.9	162.2	194.6	-1.3	-20.4
(i) Dairy products	201.4	200.9	201.9	189.5	+0.2	+6.3
(ii) Canned & preserved fruits & vegetables	166.6	163.6	166.6	156.2	+1.8	+6.6
(iii) Canned & preserved fish & sea food	206.0	206.0	206.0	205.0	—	+0.5
(iv) Grain mill products	164.6	167.3	167.0	161.5	-1.6	+1.9
(v) Bakery products	157.9	159.4	159.4	159.8	-1.0	-1.2
(vi) Sugar, khandsari & gur	141.2	146.1	154.0	197.4	-3.4	-28.5
(vii) Sugar, confectionery, cocca & chocolate	159.8	151.6	159.8	160.2	+5.4	-0.2
(viii) Misc. food products (a+b+c)	169.9	167.9	169.9	195.8	+1.2	-13.2
(a) Edible oils	161.0	160.1	160.4	185.3	+0.6	-13.1
(b) Oilcakes	198.6	191.9	201.1	246.4	+3.5	-19.4
(c) Other misc. food products	192.8	192.7	193.2	170.9	—	+12.8
B. BEVERAGES, TOBACCO & TOBACCO PRODUCTS	176.6	176.6	176.4	167.8	—	+5.2
(i) Wine industry	135.4	135.4	136.3	136.3	—	-0.7
(ii) Soft drinks	224.9	224.9	224.9	224.9	—	—
(iii) Tobacco manufactured	188.9	188.9	188.3	176.4	—	+7.1
						-Contd.

—Contd.

1	2	3	4	5	6	7
C. Textiles	173.9	175.4	176.7	169.4	-0.9	+2.6
(i) Cotton textiles	177.7	178.7	180.4	175.4	-0.6	+1.3
(ii) Woollen yarn & textiles	216.7	216.6	216.4	211.4	-2.5	+2.5
(iii) Silk, art silk & synthetic fibre textiles	156.1	156.5	157.4	160.2	-0.3	-2.6
(iv) Jute, hemp & mesta textiles	150.8	157.9	158.7	126.6	-4.5	+19.1
(v) Textiles products n.e.c.	226.1	220.3	217.8	195.0	+2.6	+15.9
D. Paper & Paper Products	190.7	190.7	190.4	182.5	-	+4.5
E. Leather & Leather Products	240.8	235.2	237.0	225.6	+2.4	+6.7
(i) Tanned & cured finished leather	255.4	248.1	250.4	235.8	+2.9	+8.3
(ii) Footwear & other leather products	192.7	192.7	192.7	192.2	-	+0.3
F. Rubber & Rubber Products	168.8	164.9	159.8	156.7	+2.4	+7.7
(i) Tyres & tubes	167.3	163.0	156.1	153.4	+2.6	+9.1
(ii) Other rubber products	175.7	173.3	175.7	171.3	+1.4	+2.6
G. Chemicals & Chemical Products	175.1	174.0	174.5	172.4	+0.6	+1.6
(i) Basic industrial chemicals	201.8	198.0	199.0	190.8	+1.9	+5.8
(ii) Fertilisers	176.0	176.0	176.2	178.5	-	-1.4
(iii) Insecticides	231.1	231.1	231.1	232.7	-	-0.7
(iv) Paints & varnishes	203.6	203.3	201.4	208.0	+0.1	-2.1
(v) Drugs & medicines	136.2	136.3	135.9	135.4	-0.1	+0.6
(vi) Cosmetics, soap & detergents	183.2	180.0	180.4	170.4	+1.8	+7.5
(vii) Inedible oils	146.2	146.8	154.6	189.2	-0.4	-22.7
(viii) Synthetic resins/rosins & plastic materials	167.6	166.4	168.0	162.4	+0.7	+3.2
(ix) Dyestuffs & other chemicals n.e.c.	191.4	190.1	190.5	185.0	+0.7	+3.4
H. Non-Metallic Mineral Products	204.1	202.2	202.0	191.6	+0.9	+6.5
(i) Structural clay products	207.7	206.9	206.6	207.4	+0.4	+0.1
(ii) Glass & glass products	232.6	219.7	231.0	198.8	+5.9	+17.0
(iii) Earthenware & earthen pottery	255.5	256.0	252.8	253.3	-0.2	+0.9
(iv) Cement, lime & plaster	187.6	187.6	184.6	174.3	-	+7.6
(v) Miscellaneous non-metallic mineral products	206.0	206.1	206.0	199.9	-	+3.0
I. Basic Metals, Alloys and Metal Products	197.0	196.6	197.2	192.0	+0.2	+2.6
Basic metals & alloys (i+ii)	197.5	197.1	197.6	194.0	+0.2	+1.8
(i) Iron, steel & ferro alloys	191.1	190.6	191.3	187.5	+0.3	+1.9
(ii) Non-ferrous metals & their alloys	216.3	216.2	215.9	213.4	-	+1.4
(iii) Metal products	195.0	194.6	196.0	184.9	+0.2	+5.5
J. Machinery and Transport Equipment	178.0	176.7	176.6	170.6	+0.7	+4.3
Machinery & Machine Tools (i+ii)	177.8	176.7	176.6	171.4	+0.6	+3.7
(i) Non-electrical machinery	184.0	182.5	183.6	175.1	+0.8	+5.1
(ii) Electrical machinery	168.1	167.4	165.6	165.4	+0.4	+1.6
Transport equipment (iii+iv)	178.8	176.7	176.5	168.6	+1.2	+6.0
(iii) Motor vehicles & parts	185.1	182.7	182.5	174.1	+1.3	+6.3
(iv) Motor cycles, scooters, bicycles & parts	150.0	149.4	149.1	143.4	+0.4	+4.6
K. Miscellaneous Products	183.5	183.6	179.2	174.0	-0.1	+5.4
(i) Wood & Wood products	188.2	188.5	188.0	178.7	-0.2	+5.3
(ii) Other mfg. industries n.e.c.	182.0	182.0	176.4	172.6	-	+5.4

Source ; Office of the Economic Adviser, Department of Industrial Development, New Delhi.

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD., (PULP DIVISION)

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